

*This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale.*

NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED  
HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

New Issue

**AR32**



**\$4,000,000**

**200,000 9% Cumulative Redeemable Convertible Preference Shares, Series B  
(par value \$20 each)**

**and**

**400,000 Class A Share Purchase Warrants**

**Offered in Units Consisting of One Series B Preference Share  
and Two Class A Share Purchase Warrants**

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**Price: \$20.00 per Unit**

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	Price to Public	Underwriting Commission	Proceeds to Unicorp (1)
Per Unit.....	\$20.00	\$1.20	\$18.80
Total.....	\$4,000,000	\$240,000	\$3,760,000

(1) Before deduction of expenses of the issue estimated at \$100,000.

Application has been made to list the Series B Preference Shares on The Toronto Stock Exchange. Acceptance of the listing will be subject to the filing of the required documents and evidence of satisfactory distribution, both within 90 days.

We, as principals, conditionally offer the Units if, as and when issued, delivered to and accepted by us in accordance with the conditions contained in the Underwriting Agreement, subject to prior sale and to the approval of all legal matters on behalf of Unicorp by Goodman & Goodman, Toronto and on our behalf by McCarthy & McCarthy, Toronto.

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that certificates representing Units will be available for delivery on or about July 24, 1980. The certificates representing Units will not be exchangeable for share certificates and share purchase warrants until the earlier of September 30, 1980 and the date of listing of the Series B Preference Shares on The Toronto Stock Exchange.

July 2, 1980.



**9% CUMULATIVE REDEEMABLE CONVERTIBLE PREFERENCE SHARES, SERIES B**  
**(par value \$20 each)**

**and**

**CLASS A SHARE PURCHASE WARRANTS**

AMOUNT OF ISSUE:	\$4,000,000 (200,000 Series B Preference Shares and 400,000 Class A Share Purchase Warrants).
OFFERED IN UNITS OF:	One Series B Preference Share and Two Class A Share Purchase Warrants.
PRICE:	\$20.00 per Unit.
DIVIDEND:	9% per annum, payable quarterly, commencing September 30, 1980.
DELIVERY:	Unit certificates on or about July 24, 1980; share certificates and share purchase warrants not until the earlier of September 30, 1980 and the date of listing of the Series B Preference Shares on The Toronto Stock Exchange.
CONVERSION PRIVILEGE:	Convertible into Class A Shares of Unicorp on or before June 30, 1987 at a conversion price of \$5.75 per Class A Share. Series B Preference Shares called for redemption will be convertible on or prior to the last business day prior to the date fixed for redemption. The Class A Shares do not carry full voting rights.
REDEMPTION:	Not redeemable on or prior to June 30, 1982, thereafter not redeemable on or prior to June 30, 1985 unless the weighted average price at which the Class A Shares have traded on The Toronto Stock Exchange during 30 consecutive trading days ending not more than five days prior to the date when notice of redemption is given is not less than 125% of the conversion price. Until June 30, 1986 the premium on redemption will be 6% of par value, declining thereafter by 1% per annum until June 30, 1990, after which no premium will be payable on redemption. In each case, the redemption price will be par value, plus the redemption premium, if any, plus accrued and unpaid dividends to the date of redemption.
PURCHASE OBLIGATION:	2,000 Series B Preference Shares per calendar quarter in the market commencing with the quarter beginning July 1, 1985 to the extent available at prices not exceeding \$20 per share plus accrued and unpaid dividends and costs of purchase. The purchase obligation for each calendar quarter will be carried forward through the three next succeeding calendar quarters and, to the extent not then satisfied, will be extinguished.
WARRANTS:	Each Class A Share Purchase Warrant will entitle the holder thereof to purchase one Class A Share of Unicorp at a price of \$5.00 per Class A Share up to and including November 30, 1981.
ELIGIBILITY:	In the opinion of counsel, at the date of issue the Series B Preference Shares will be qualified for investment under certain statutes as set out under Eligibility for Investment.

## SUMMARY

(seewhere in this prospectus.)

NET TANGIBLE ASSET COVERAGE:	Consolidated net tangible assets as at December 31, 1979, would have amounted to 4.40 times the aggregate par value of all Series A and Series B Preference Shares of Unicorp outstanding after giving effect to this issue.
DIVIDEND COVERAGE:	Consolidated net income for the 12 months ended December 31, 1979 will amount to 2.13 times the maximum annual dividend requirement on all Series A and Series B Preference Shares of Unicorp to be outstanding after giving effect to this issue.
PURPOSE OF ISSUE:	The proceeds of this issue will be used to repay a portion of the bank loans incurred to finance the acquisition of investments in U.S. real estate investment trusts.

### THE COMPANY

Unicorp is a management and investment-holding company with diversified investments in real estate and financial service companies in Canada and the United States. Unicorp seeks investments with the potential for long-term capital appreciation. Over the past two years, Unicorp has concentrated its investment activities in the United States where it has acquired significant interests in four publicly-traded, equity-oriented real estate investment trusts. The proceeds of this issue will be used to repay indebtedness incurred for the purpose of making such investments.

#### Selected Consolidated Financial Information:

	Year ended December 31,				
	1979	1978	1977	1976	1975
	(in thousands of dollars except per share figures)				
Assets:					
Real estate investments.....	\$29,606	\$16,617	\$ 5,888	\$ 5,048	\$ 3,863
Financial service companies.....	16,917	13,718	17,356	17,229	16,947
Other assets, including marketable securities....	10,783	10,816	5,446	3,636	361
Total assets.....	57,306	41,151	28,690	26,013	21,171
Shareholders' equity:					
Total.....	17,573	14,010	12,607(1)	13,968	12,791
Per share(2).....	2.58	2.58	2.32	1.99	1.82
Income:					
Net earnings.....	841	1,539	1,350	2,487	364
Per share(2).....	0.14	0.28	0.21	0.35	0.05
Dividends per share(2).....	0.06	0.025(3)	0.05	0.025	—

(1) In August, 1977 Unicorp purchased 1,600,000 of its common shares for a total consideration of \$2,400,000.

(2) On June 22, 1979 each two common shares then outstanding were changed into one Class A Share and one Class B Share.

(3) Under a compliance plan filed with the Anti-Inflation Board, Unicorp agreed not to declare the dividend it would normally have paid in June, 1978.



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## UNICORP FINANCIAL CORPORATION

Unicorp Financial Corporation is the corporation resulting from the amalgamation under the laws of the Province of Ontario on December 31, 1979 of Unicorp Financial Corporation (continued by amalgamation in 1974) and Sentinel Holdings Limited. The continuing corporation is referred to herein as "Unicorp" and that term includes subsidiaries of the continuing corporation and all predecessor companies, unless the context indicates otherwise. The head and principal office of Unicorp is located at 21 St. Clair Avenue East, Toronto, Ontario.

### History and Business

Unicorp is a management and investment-holding company with diversified investments in real estate and financial service companies in Canada and the United States. The operations in these areas commenced in 1972 when control of an inactive predecessor public company was acquired by George S. Mann and associated entities.

Initially, Unicorp's principal assets were various real estate properties and a portfolio of marketable securities. In 1974, Unicorp acquired control of United Trust Company from George S. Mann and associated entities. This remained the largest investment and predominant activity of Unicorp until July, 1976, when the shares of United Trust Company were sold to The Royal Trust Company in exchange for common shares of The Royal Trust Company. At March 31, 1980, Unicorp owned 801,812 shares of Royal Trustco Limited or 5.0% of the outstanding shares and had the right or obligation to acquire an additional 58,300 shares.

Another significant investment during this period was Unicorp's 10% interest in a newly formed Canadian chartered bank which it acquired in 1973. This bank was merged in June, 1977, and again in November, 1979, to form Canada's sixth largest bank. Unicorp now owns 152,234 shares or 0.8% of the outstanding shares of this bank.

Since June, 1977, Unicorp has acquired additional investments in financial service companies and expanded its real estate operations in Canada. In 1978, Unicorp commenced a major program of diversifying its real estate investments into the United States through purchases of interests in publicly-traded, equity-oriented real estate investment trusts (REIT's). During the past two years this has been the major area of activity for Unicorp.

The following table shows the percentage of Unicorp's assets committed to its various activities at December 31, 1979:

	Amount Invested (thousands)	Percentage of total assets
Real estate investments.....	\$29,606	51.7%
Financial service companies.....	16,917	29.5
Other assets, including marketable securities.....	10,783	18.8
	<u>\$57,306</u>	<u>100.0%</u>

### Real Estate Activities

Unicorp's real estate investments at December 31, 1979 are summarized below:

	Market Value(1) (thousands)		Amount Invested (thousands)
U.S. Real Estate	December 31, 1979	March 31, 1980	
Investment in REIT'S			
First Union Real Estate Equity and Mortgage Investments(2).....	\$ 4,501	\$ 4,148	\$ 4,513
GREIT Realty Trust.....	2,497	2,596	2,027
Real Estate Investment Trust of America . . .	3,980	4,407	3,194
San Francisco Real Estate Investors.....	3,158	2,992	2,422
	<u>14,136</u>	<u>14,143</u>	
Real estate under development in Florida.....			\$12,156
			<u>3,960</u>
Canadian Real Estate			16,116
Toronto commercial real estate.....			10,573
Other commercial real estate.....			2,217
Real estate under development.....			<u>700</u>
			<u>13,490</u>
			<u>\$29,606</u>

#### NOTES:

- (1) Based on closing prices on the American and New York Stock Exchanges converted to Canadian currency at the then applicable exchange rates. Market value as at March 31, 1980 is given for securities held at December 31, 1979 and does not reflect purchases of such securities subsequent to December 31, 1979.
- (2) In addition Unicorp had an option to acquire an 8¾ % Convertible Subordinated Debenture of this REIT in the principal amount of U.S. \$1,000,000 convertible into 55,555 shares. This option was exercised on March 10, 1980 at a price of U.S. \$1,053,000.



## **U.S. Real Estate**

### ***Investment in REIT's***

At March 31, 1980, Unicorp had increased its investment in publicly-listed REIT shares to approximately \$15,753,000, which at that date had a market value of \$17,464,000. For purposes of U.S. income tax, a qualified REIT is a non-taxable publicly owned organization (usually a trust) which derives at least 75% of its income from real estate and which distributes at least 95% of its taxable income to its shareholders. There are two principal types of REIT's: those which invest directly in real estate (equity REIT's) and those which lend on the security of real estate (mortgage REIT's). Unicorp has invested only in equity REIT's because it believes that this is the most economic way for it to build a diversified portfolio of commercial properties across the United States. Unicorp is the largest shareholder in the four REIT's in which it has concentrated its investments. The following is a brief description of these REIT's:

#### ***First Union Real Estate Equity and Mortgage Investments (First Union)***

First Union is one of the largest REIT's in the United States. At March 31, 1980, Unicorp owned 306,900 shares (6.1% of the outstanding shares) and an 8¾% convertible subordinated debenture due 1999 in the principal amount of U.S. \$1,000,000 (2.9% of the outstanding debentures) which can be converted into 55,555 shares. First Union's real estate portfolio is diversified by type of property, geographical location, tenant mix and rental market. At December 31, 1979, First Union owned 13 office buildings, 11 shopping centres, 50% interests in three shopping centres, two high-rise metropolitan motor inns, a 1,200-car parking garage and a 425-car parking facility.

At December 31, 1979, the total assets of First Union were U.S. \$243.5 million and shareholders' equity was U.S. \$62.5 million. Operating cash flow, earnings and dividends for the year ended December 31, 1979 were U.S. \$11,406,000, U.S. \$5,385,000, and U.S. \$6,323,000 respectively.

#### ***GREIT Realty Trust (GREIT)***

GREIT (29.4% owned at March 31, 1980) had total assets of U.S. \$33 million and shareholders' equity of U.S. \$9.3 million at the year ended October 31, 1979. Subsequent to March 31, 1980 Unicorp acquired an additional 106,000 shares of GREIT at a cost of U.S. \$1,072,854, increasing its interest in GREIT to 40%. The properties of GREIT included one local and two regional shopping centres, five office buildings, three apartment properties and two properties under ground leases. GREIT recently announced a program to acquire securities of San Francisco Real Estate Investors for investment. George S. Mann and Lorie Waisberg, directors and officers of Unicorp, are trustees of GREIT.

Operating cash flow, earnings and dividends for the year ended October 31, 1979 were U.S. \$891,000, U.S. \$624,000, and U.S. \$399,000 respectively.

#### ***Real Estate Investment Trust of America (REITA)***

REITA (9.8% owned at March 31, 1980) is the oldest equity REIT in the United States. At November 30, 1979, its property portfolio consisted of 32 properties, including two regional shopping centres, seven office buildings, six conventional retail properties, 11 light industrial properties and six parcels of land under ground leases.

At the year ended November 30, 1979, REITA's total assets were U.S. \$46 million and shareholders' equity was U.S. \$37 million. Operating cash flow, earnings, and dividends for its latest fiscal year were U.S. \$4,228,000, U.S. \$2,986,000, and U.S. \$2,776,000 respectively.

#### ***San Francisco Real Estate Investors (SFI)***

SFI (8.2% owned at March 31, 1980) had total assets of U.S. \$48 million and shareholders' equity of U.S. \$27 million at December 31, 1979. The trust's property portfolio consists of 14 properties including seven modern highrise office buildings leased primarily to banks for their head offices, two garden apartment complexes, three commercial/industrial buildings and two ground-leased parcels of land.

Operating cash flow, earnings and dividends for the year ended December 31, 1979 were U.S. \$3,799,000, U.S. \$2,203,000 and U.S. \$2,290,000 respectively.

### ***Real Estate under Development in Florida***

Unicorp has a 50% partnership interest in 135 acres and a 40% partnership interest in 124 adjoining acres in Boca Raton, Florida. The managing partner responsible for developing these properties is Bramalea Developments (U.S.) Limited, a wholly-owned subsidiary of Bramalea Limited. The 135-acre property together with an adjoining 15-acre property have been re-zoned to permit the construction of up to 428 dwelling units and specifications



for servicing the lands are being completed. It is expected that the first serviced lots will be available for sale to residential builders in late 1980. The 124-acre property is zoned for 186 dwelling units and plans of subdivision are being prepared.

Unicorp intends to continue to concentrate its activities in building a portfolio of commercial and industrial real estate properties in the United States. Further acquisitions will depend upon Unicorp's resources and management's assessment of economic conditions.

### Canadian Real Estate

Unicorp's real estate activities in Canada include the direct ownership and management of commercial properties in Toronto, Ontario and, through a 50% partnership, Primesite Developments (Primesite), the development and ownership of commercial and industrial real estate in Ontario and Western Canada.

Unicorp's direct holdings in commercial real estate are primarily in the Yonge-St. Clair district of Toronto, Ontario. The principal holdings are a 49.5% interest in the Unicorp Building, 21 St. Clair Avenue East, where Unicorp's head office is located. This office building was built in 1971 and has a rentable area of 107,000 square feet. Unicorp also owns 100% of Delisle Court, 1560 Yonge Street, a 60,000 square foot commercial complex, which was built in 1976 and contains 40 shops and restaurants.

Commercial real estate development is undertaken through Primesite. Primesite identifies potential sites, enters into option agreements to acquire such sites, and is responsible for re-zoning and making preliminary arrangements with key tenants. Having made acceptable arrangements, Primesite will exercise its option and will develop the project on its own or in conjunction with industry partners. At the present time, Primesite has eight projects underway, seven of which are in the advanced planning stages and an eighth at Lloydminster, Saskatchewan where development commenced in November, 1979. The following is a summary of these projects:

Location	Primesite's Interest (1)	Type of Project
Bonnyville, Alberta.....	50%	250,000 sq. ft. enclosed shopping centre
Flin Flon, Manitoba.....	100%	150,000 sq. ft. enclosed shopping centre
Fort McMurray, Alberta.....	45%	550,000 sq. ft. enclosed shopping centre and recreational facility
Lloydminster, Saskatchewan.....	50%	75 acre commercial and industrial site
Melville, Saskatchewan.....	100%	100,000 sq. ft. enclosed shopping centre
Morden, Manitoba.....	80%	110,000 sq. ft. enclosed shopping centre
Prince Albert, Saskatchewan.....	37½%	Downtown redevelopment including an office building, hotel and a 500,000 sq. ft retail complex
Renfrew, Ontario	50%	160,000 sq. ft. enclosed shopping centre

(1) Unicorp owns 50% of Primesite.

In addition, Primesite owns 11 strip shopping plazas throughout Ontario which at December 31, 1979 had a book value of \$2,354,000. Primesite is disposing of these properties and plans to concentrate future activities on developing large enclosed shopping centres and other commercial projects, primarily in Western Canada.

### Financial Service Companies

Unicorp's interest in publicly-listed financial service companies at December 31, 1979 is summarized below:

	Unicorp's Book Value	Market Value	
		December 31, 1979	March 31, 1980(1)
Royal Trustco Limited.....	\$11,235,091	\$11,324,182	\$10,121,614
Great Northern Financial Corporation.....	1,791,136	1,560,000	1,800,000
AVEMCO Corporation.....	1,924,289	2,764,509	2,200,661
A Canadian chartered bank.....	1,966,091	2,131,276	1,522,340
	<u>\$16,916,607</u>	<u>\$17,779,967</u>	<u>\$15,644,615</u>

(1) Market value as at March 31, 1980 is given for securities held at December 31, 1979 and does not reflect purchases of such securities subsequent to December 31, 1979.



### *Royal Trustco Limited (Royal Trustco)*

Royal Trustco is a holding company which operates the largest group of trust companies in Canada and a major bank holding company in Florida. Royal Trustco offers trust, real estate and data processing services throughout Canada, banking services in Florida and banking and trust services in Europe. The net income of Royal Trustco for the year ended December 31, 1979 was \$29 million and assets were \$7.1 billion, with total assets under administration of \$25.8 billion at that date. Unicorp owned 801,712 shares of Royal Trustco at December 31, 1979 and 801,812 shares at March 31, 1980 which represented 5.0% of the outstanding shares. In addition, Unicorp has the right or obligation to acquire an additional 67,100 shares of Royal Trustco which when exercised would increase Unicorp's ownership to 5.4% of the outstanding shares.

### *Great Northern Financial Corporation (Great Northern)*

Great Northern, a holding company, owns Financial Trust Company, which commenced operations in 1978, has investments in natural resources directly and through the ownership of shares of other resource companies and operates a mortgage lending and brokerage business. Two directors of Unicorp are on the board of directors of Great Northern. Unicorp owned 600,000 shares of Great Northern at December 31, 1979 and 626,900 shares at March 31, 1980 which represented 38.7% of the outstanding shares. Between April 1, 1980 and May 31, 1980, Unicorp acquired an additional 49,600 shares of Great Northern at a cost of \$136,260, increasing its interest in Great Northern to 44%. Unicorp's interest in Great Northern could be reduced by up to 150,000 shares if the option described under Interest of Management and Others in Material Transactions is exercised.

### *AVEMCO Corporation (AVEMCO)*

AVEMCO, through its subsidiaries, is the largest insurer of private aircraft in the United States. AVEMCO is the only insurance company approved for aviation insurance by the 220,000 member Aircraft Owners and Pilots Association. AVEMCO is licensed to carry on business as an insurer in all 50 states of the United States. In addition, AVEMCO carries on related businesses such as aviation financing and the marketing of aviation products. Unicorp, the largest individual shareholder of AVEMCO, owned 211,900 shares of AVEMCO at December 31, 1979 and 225,000 shares at March 31, 1980, which represented 9.0% of the outstanding shares.

### *A Canadian Chartered Bank*

Unicorp has an investment representing 0.8% of the outstanding shares in the sixth largest Canadian chartered bank. George S. Mann is an officer and director of this bank.

### **Other Assets, including Marketable Securities**

Other assets, which totalled \$10,783,000 at December 31, 1979, included marketable securities of \$5,410,000, having a market value of \$4,811,000 at that date. Unicorp has been disposing of such assets and reinvesting the proceeds in the purchase of shares of financial service companies and REIT's.

### **Acquisition of Heritage Life**

On March 31, 1980 Unicorp acquired all of the outstanding shares of Heritage Life Assurance Company (Heritage Life) from The Equitable Life Holding Corporation, New York for \$14,017,000. Heritage Life, a federally chartered life insurance company, was formed in 1974 and is licensed to write life, health and pension contracts in all provinces of Canada. At December 31, 1979, Heritage Life had \$157 million of life insurance in force. In the year ended December 31, 1979, Heritage Life had revenue of \$3,756,000 and incurred a loss of \$1,098,000. Additional financial information pertaining to Heritage Life as at December 31, 1979 and for the year then ended is contained in Note 17 to the Consolidated Financial Statements of Unicorp.

The purchase of the Heritage Life shares was financed by a loan from a Canadian financial institution. This loan was secured by a pledge of the shares of Heritage Life as well as other security. This loan was repaid on May 7, 1980.

Heritage Life has adopted a business plan under which the ongoing operating expenses of Heritage Life are being reduced to a level of one-third of those experienced in 1979 by the closing of branches and staff reduction. Heritage Life's bond portfolio has been substantially liquidated and shareholders' equity has been reduced by \$14,000,000 through the payment of dividends to Unicorp. It is not possible to project future operating results for Heritage Life based on past performance due to the significant reductions of assets and capital and the material change in Heritage Life's operations.



## Management Discussion of Financial Results

Unicorp's operating strategy is to build up a pool of assets with the potential for capital appreciation over time in preference to investing with a view to maximizing earnings per share in the short term. The following is a discussion of recent operating results:

### *1980*

During the first quarter of 1980 Unicorp increased its assets by over \$19 million through the acquisition of further interests in Great Northern, GREIT and First Union and the purchase of Heritage Life. The reduction of Unicorp's investment in Heritage Life through the liquidation of the bond portfolio and the payment of the dividends by Heritage Life resulted in a reduction in total assets of approximately \$14 million subsequent to the end of the first quarter.

The operating loss for the first quarter of 1980 was \$312,000 or \$0.05 per share compared to net earnings of \$416,000 or \$0.08 per share in the corresponding period in 1979. There were two major factors accounting for this downturn in earnings: first, bank interest costs increased by \$418,000 due to the record high level of interest rates combined with an increase of \$15 million in bank indebtedness used to finance the expansion in assets; and second, the weakness in the Canadian dollar during the three months ended March 31, 1980 resulted in an unfavourable swing of approximately \$247,000 in the foreign exchange account. This translation of Unicorp's U.S. dollar liabilities to Canadian dollars for accounting purposes does not reflect realized gains and losses.

At the end of the first quarter Unicorp had \$22 million of bank indebtedness and \$10 million of preference shares issued by a subsidiary which provide for interest and dividends respectively at rates based on the prime lending rate. Consequently the high prime lending rate in the first quarter of 1980 had an adverse impact on net earnings. This will continue until such prime lending rates subside or Unicorp reduces its exposure to bank indebtedness through the issue of additional equity. Since Unicorp's tax-deductible expenses exceed its taxable income, a substitution of dividend expense for interest expense will benefit net earnings.

High interest rates have had an adverse effect on the operating results of Royal Trust and the Canadian chartered bank in which Unicorp has invested. However, dividends from these companies have remained equal to or higher than those received in 1979. The U.S. REIT's have continued to report improved operating results in this high interest rate environment because their borrowings are at fixed rates, their rentals are increasing as leases are renewed or new leases are entered into and their cash assets are reinvested in instruments yielding higher returns.

### *1979 to 1978*

During 1979 total assets increased by \$16 million (39%) which is comparable to the expansion experienced in 1978. The major component of growth was Unicorp's investment in four U.S. equity REIT's. The market value of Unicorp's portfolio of publicly-traded securities at December 31, 1979 was \$2,245,000 above Unicorp's cost.

Net earnings in 1979 were \$841,000 or \$0.14 per share compared to \$1,540,000 or \$0.28 per share on a fewer number of shares in 1978. Interest and dividend income increased by \$1,152,000 in 1979 due to the larger asset base and the favourable operating results of the REIT investments; rental income increased by \$638,000 as real estate acquired in 1978 was included for the full 12-month period. Interest costs rose to \$2,776,000 from \$1,017,000 due to an increase in borrowings and an increase in the chartered bank prime rate and constituted the major expense variance from 1978. Since Unicorp's taxable income was less than its tax deductible expenses the increase in interest costs has a significantly adverse effect on after-tax earnings. General and administrative expenses increased by \$449,000 due, in part, to the withholding tax on U.S. dividends.

### *1978 to 1977*

During 1978 total assets increased by \$12.5 million to \$41.2 million, a gain of approximately 43%. This was a substantially higher rate of growth than experienced in previous years as a result of management's decision to direct a major portion of Unicorp's assets into the United States. The market value of securities held at year end was \$139,000 below their book value cost.

Net earnings in 1978 were \$1,540,000 or \$0.28 per share compared to \$1,350,000 or \$0.21 per share in 1977. Interest and dividend income increased 45% to \$1,584,000. Rental income increased by \$262,000 as a result of the acquisition of Delisle Court during the fourth quarter of 1978. There was an increase of \$1,037,000 in capital gains on the sale of securities during the year. Total expenses increased by \$527,000 over the prior year due to the expansion of Unicorp's operations.



## INTERCORPORATE RELATIONSHIPS

The following lists the name and address of each company in which Unicorp owns 5% or more of the company's securities, as at March 31, 1980:

Name and Address of Company	Nature of its Principal Business	Type of Securities Owned	Percentage of Securities Owned	Percentage of Book Value of Unicorp's Assets Invested Therein
First Union Real Estate Equity and Mortgage Investments..... 55 Public Square Cleveland, Ohio 44113 U.S.A.	Ownership of commercial real estate	Shares of beneficial interest; Convertible Debenture	6.1 %  2.9 %	8.0 %  1.6 %
GREIT Realty Trust..... 1661 Easton Road Box 716 Warrington, Pennsylvania 18976 U.S.A.	Ownership of commercial real estate	Shares of beneficial interest	29.4 %	3.7 %
Real Estate Investment Trust of America..... 294 Washington Street Boston, Massachusetts 02108 U.S.A.	Ownership of commercial real estate	Shares of beneficial interest	9.8 %	4.2 %
San Francisco Real Estate Investors..... 615 Battery Street Suite 600 San Francisco, California, 94111 U.S.A.	Ownership of commercial real estate	Shares of beneficial interest	8.2 %	3.2 %
Great Northern Financial Corporation..... 21 St. Clair Avenue East Toronto, Ontario M4T 2T7 Canada	Holding Company	Common	38.7 %	2.5 %
Royal Trustco Limited..... 76 Metcalfe Street Ottawa, Ontario K1P 5L8 Canada	Holding Company	Class A Common	5.0 % <sup>(1)</sup>	14.6 %
AVEMCO Corporation..... Air Rights Building 7315 Wisconsin Avenue, Bethesda, Maryland 20014 U.S.A.	Holding Company	Common	9.0 %	2.6 %

(1) In addition, Unicorp had the right or obligation to acquire an additional 58,300 shares of Royal Trustco which, when exercised, would increase Unicorp's ownership to 5.4% of the outstanding common shares.

In addition, Unicorp has four active, wholly-owned subsidiaries, Heritage Life, Unicorp Holdings (U.S.) Inc., a Delaware corporation, Canadian Jamieson Developments Limited (Jamieson), an Ontario corporation and Sentinel Investments Limited, a Bahamian corporation. In return, Jamieson has a wholly-owned subsidiary, DSR Holdings Limited, an Ontario corporation.



## CONSOLIDATED CAPITALIZATION OF UNICORP

Description	Authorized or to be Authorized	Outstanding as at December 31, 1979	Outstanding as at May 31, 1980	Outstanding as at May 31, 1980 (after giving effect to this issue)
<b>Indebtedness</b>				
Bank loans (secured) .....		\$16,859,058	\$24,576,434	\$20,916,434
Loans payable (secured)(1) .....	—	1,865,834	2,500,000	2,500,000
Mortgages payable(2) .....	—	8,942,397	9,339,609	9,339,609
Minority interest(3) .....	—	10,026,000	10,026,000	10,026,000
<b>Share capital</b>				
Preference Shares with a par value of \$20 each .....	1,000,000 shs.			
Convertible Preference Shares, Series A(4) .....	75,000 shs.	825,000 (41,250 shs.)	825,000 (41,250 shs.)	825,000 (41,250 shs.)
9% Cumulative Redeemable Convertible Preference Shares, Series B (this issue) .....	200,000 shs.	—	—	4,000,000 (200,000 shs.)
Class A Shares without par value(5)	30,000,000 shs.	5,866,774 (3,247,464 shs.)	6,180,274 (3,357,464 shs.)	6,180,274 (3,357,464 shs.)
Class B Shares without par value(5)	20,000,000 shs.	5,866,774 (3,247,464 shs.)	5,866,774 (3,247,464 shs.)	5,866,774 (3,247,464 shs.)
Common Shares without par value	100 shs.	—	—	—

**NOTES:**

1. These loans are secured by pledges of shares and other securities and bear interest at various rates based on prime lending rates.
2. Reference is made to Note 8 to the Consolidated Financial Statements.
3. Reference is made to Note 9 to the Consolidated Financial Statements.
4. Reference is made to Note 10(b) to the Consolidated Financial Statements.
5. Reference is made to Notes 10(b) and 10(e) to the Consolidated Financial Statements.
6. At December 31, 1979, retained earnings of the Corporation were \$5,014,753.

### CERTAIN ATTRIBUTES OF THE CONVERTIBLE PREFERENCE SHARES, SERIES A AND CLASS A SHARES, CLASS B SHARES AND COMMON SHARES

#### **Convertible Preference Shares, Series A**

##### *Dividends*

The holders of Convertible Preference Shares, Series A are entitled to non-cumulative semi-annual dividends of 17¢ per share before any dividends are paid on the Class A, Class B or Common Shares. After the payment to the holders of Class A Shares of a semi-annual dividend of 3¢ per share, the holders of Convertible Preference Shares, Series A are entitled to a dividend at the rate of 5-5/7 times the amount of any additional semi-annual dividend paid on the Class A Shares.

##### *Rights on Liquidation*

In the event of liquidation, dissolution or winding-up of Unicorp or any other distribution of the assets of Unicorp among its shareholders for the purpose of winding up its affairs, the holders of the Convertible Preference Shares, Series A are entitled to receive the amount paid up on such shares together with all declared and unpaid dividends before any amount shall be paid or any property distributed to the holders of Class A, Class B or Common Shares.



### *Right to Purchase*

Unicorp may at any time purchase for cancellation Convertible Preference Shares, Series A in the open market or by invitation for tenders at the lowest price at which such shares are obtainable, but not in excess of the amount paid up thereon together with all declared and unpaid dividends.

### *Redemption at Option of Holder*

After December 31, 1980, a holder of Convertible Preference Shares, Series A may require Unicorp to redeem his shares on 180 days notice for a redemption price equal to the amount paid up on such shares together with all declared and unpaid dividends.

### *Conversion Feature*

The Convertible Preference Shares, Series A are convertible into Class A Shares of Unicorp on the basis of 5-5/7 Class A Shares for each Convertible Preference Share, Series A (i) at the option of the holder at any time up to December 31, 1982; (ii) at the option of Unicorp if at any time the Class A Shares of Unicorp are traded on The Toronto Stock Exchange at a price of \$5.25 or more per share for 60 out of 90 consecutive trading days; and (iii) on December 31, 1982.

### *Related Option*

For every Convertible Preference Share, Series A subscribed for, Unicorp granted the purchaser on December 14, 1979 a non-transferable option to acquire 5-5/7 Class A Shares at a price of \$4.00 per Class A Share exercisable until December 31, 1982, provided that all of the Convertible Preference Shares, Series A purchased by the option holder have been converted. An aggregate of 235,714 Class A Shares have been reserved for the exercise of these options. The closing bid and ask prices for the Class A Shares on The Toronto Stock Exchange on December 14, 1979 were \$3.00 and \$3.25 respectively.

## **Class A, Class B and Common Shares**

### *Voting Rights*

The holders of Class A shares are entitled, voting separately and as a class, to elect two members of the board of directors of Unicorp. Except for this limited voting power, the holders of Class A Shares are not entitled to vote at meetings of shareholders. The holders of Class B Shares and Common Shares are entitled to one vote in respect of each share held at all meetings of shareholders of Unicorp.

### *Dividends*

The Class A Shares, the Class B Shares and the Common Shares rank equally in the payment of dividends.

### *Rights on Liquidation, Dissolution or Winding-up*

The holders of Class B Shares and Common Shares rank junior to the holders of Class A Shares on the distribution of property or assets of Unicorp in the event of the liquidation, dissolution or winding-up of Unicorp to the extent of the paid-up capital attributable to the Class A Shares. After the holders of Class A Shares have received the paid-up capital attributable thereto, the holders of Class B Shares and Common Shares are entitled to receive an amount equal to the paid-up capital attributable to those shares. Thereafter, the holders of Class A Shares, Class B Shares and Common Shares participate equally in any further distributions.

### *Right of Conversion of Class A Shares*

The Class A Shares become convertible at the option of resident Canadian holders into Class B Shares on a share for share basis if:

- (a) an offer is made for Class B Shares which must, by reason of then applicable securities legislation or by-laws, regulations or policies of a stock exchange on which the Class B Shares are listed, be made to all holders of Class B Shares whose last address on the records of Unicorp is in Ontario; and
- (b) an offer on the same terms and conditions per share is not made to the holders of the Class A Shares.

The Class A Shares will be so convertible as long as such offer is open for acceptance.



## DETAILS OF THE OFFERING

The authorized capital of Unicorp includes 1,000,000 Preference Shares with a par value of \$20 each, issuable in series, with the number and designation of shares in each series and the preferences, rights, restrictions, conditions, limitations or prohibitions attaching thereto to be determined by the board of directors. The 9% Cumulative Redeemable Convertible Preference Shares, Series B (the Series B Preference Shares) offered by this prospectus will be the second series of Preference Shares. The following is a summary of certain of the provisions attaching to the Preference Shares as a class and to the Series B Preference Shares as a series and a description of the Class A Share Purchase Warrants. The complete provisions attaching to the Preference Shares as a class and to the Series B Preference Shares are set out in Schedules A and B to this prospectus.

### Preference Shares as a Class

#### *Priority*

The Preference Shares of each series rank on a parity with the Preference Shares of every other series and are entitled to preference over the Class A Shares, the Class B Shares, the Common Shares and any other shares of Unicorp ranking junior to the Preference Shares with respect to priority in (i) the payment of dividends, and (ii) the distribution of assets in the event of any liquidation, dissolution or winding-up of Unicorp or any other distribution of the assets of Unicorp among its shareholders for the purpose of winding up its affairs.

#### *Voting Rights*

The holders of the Preference Shares are not entitled, as such, to receive notice of or to attend any meeting of the shareholders of Unicorp or to vote at any such meeting but are entitled to receive notice of meetings of shareholders of Unicorp called for the purpose of authorizing the dissolution of Unicorp or the sale of its undertaking or a substantial part thereof. If dividends on any series of Preference Shares are in arrears in whole or in part for eight quarterly dividends, then and until all arrears of dividends on all series of Preference Shares are paid, the holders of the Preference Shares are entitled to attend all meetings of shareholders of Unicorp and, voting separately and as a class, to elect two directors of Unicorp.

#### *Approval of Amendments*

The provisions attaching to the Preference Shares as a class may be varied only with the approval of holders of the Preference Shares given by a resolution passed by the holders of at least  $66\frac{2}{3}\%$  of the Preference Shares represented and voted at a meeting duly called for that purpose.

### Series B Preference Shares as a Series

#### *Dividends*

The holders of Series B Preference Shares are entitled to receive fixed cumulative preferential cash dividends at the rate of \$1.80 per share per annum, to accrue from the date of issue and to be paid quarterly on the last day of each of March, June, September and December in each year, commencing September 30, 1980.

#### *Rights on Liquidation*

In the event of liquidation, dissolution or winding-up of Unicorp or any other distribution of the assets of Unicorp among its shareholders for the purpose of winding up its affairs, the holders of the Series B Preference Shares are entitled to receive, in priority to the holders of the Class A Shares, Class B Shares, Common Shares or any other shares of Unicorp ranking junior to the Series B Preference Shares, the amount paid up on such Series B Preference Shares together with all accrued and unpaid dividends.

#### *Conversion Privilege*

The Series B Preference Shares are convertible at the option of the holder into Class A Shares at any time up to the close of business on June 30, 1987 at the conversion price of \$5.75 per Class A Share. Series B Preference Shares called for redemption prior to the foregoing date will be convertible at the option of the holder up to the close of business on the business day preceding the date fixed for redemption.

The conversion price is subject to adjustment in certain events including:

- (a) if Unicorp declares a dividend or makes a distribution on outstanding Class A, Class B or Common Shares payable in Class A, Class B or Common Shares or subdivides or consolidates its Class A, Class B or Common Shares;



- (b) if Unicorp issues to any of the holders of its Class A, Class B or Common Shares, shares of any class other than the Class A, Class B or Common Shares, or evidence of indebtedness, or assets (excluding cash dividends);
- (c) if Unicorp issues additional Class A, Class B or Common Shares or any rights for the purchase of or securities exchangeable for or convertible into Class A, Class B or Common Shares, at a price per share less than the conversion price.

No adjustment in the conversion price will be required to be made (a) unless the cumulative effect of such adjustment or adjustments would change the conversion price by at least 1 % or (b) in respect of the issue of Class A, Class B or Common Shares pursuant to (i) the exercise of this conversion privilege, (ii) the exercise of the Class A Share Purchase Warrants issued to the holders of Series B Preference Shares, (iii) the exercise of the conversion option attaching to the Convertible Preference Shares, Series A, (iv) the exercise of the options issued to the holders of the Convertible Preference Shares, Series A, or (v) any stock purchase plan for officers or employees of Unicorp.

No certificate for a fraction of a Class A Share will be issued on conversion but, in lieu thereof, Unicorp will make a cash payment.

In the event of any capital reorganization, amalgamation, consolidation or merger of Unicorp, any holder of Series B Preference Shares will be entitled to receive the aggregate number of shares or other securities or property of Unicorp that such holder would have been entitled to receive if such Series B Preference Shares had been converted into Class A Shares immediately prior to the capital reorganization, amalgamation, consolidation or merger.

#### *Right to Purchase*

Except as noted under Restrictions on Dividends and on Purchase and Retirement of Shares, Unicorp may at any time purchase in the market or by invitation for tenders, if obtainable, all or any part of the Series B Preference Shares then outstanding at the lowest price at which, in the opinion of the board of directors of Unicorp, such shares are obtainable, but not exceeding the then current redemption price plus accrued and unpaid dividends and costs of purchase.

#### *Purchase Obligation*

Unicorp shall during each calendar quarter beginning with the quarter commencing July 1, 1985, make all reasonable efforts to purchase in the market 2,000 Series B Preference Shares, to the extent available, at prices not exceeding \$20 per share plus accrued and unpaid dividends and costs of purchase. The purchase obligation for each calendar quarter shall be carried forward to the extent not satisfied through the next three succeeding calendar quarters and, to the extent not then satisfied, will be extinguished. The purchase of Series A Preference Shares in any calendar quarter, in excess of the purchase obligation for such quarter, may be applied by Unicorp to satisfy the purchase obligation for a subsequent calendar quarter.

#### *Redemption*

Unicorp may not redeem the Series B Preference Shares on or before June 30, 1982 and thereafter may not redeem the Series B Preference Shares on or before June 30, 1985 unless the weighted average price at which the Class A Shares of Unicorp have traded on The Toronto Stock Exchange during 30 consecutive trading days ending not more than five trading days prior to the date on which notice of the redemption is given is not less than 125 % of the conversion price in effect on the date of such notice. Subject to the foregoing and except as noted under Restrictions on Dividends and on Purchase and Retirement of Shares, Unicorp may redeem the Series B Preference Shares, in whole at any time or in part from time to time, on payment of the par value of each share to be redeemed plus a premium of the following percentages of the par value:

- 6%, if redeemed on or before June 30, 1986;
- 5%, if redeemed thereafter and on or before June 30, 1987;
- 4%, if redeemed thereafter and on or before June 30, 1988;
- 3%, if redeemed thereafter and on or before June 30, 1989;
- 2%, if redeemed thereafter and on or before June 30, 1990;
- and at par if redeemed at any time thereafter;

together, in each case, with all accrued and unpaid dividends. Notice of any redemption will be given by Unicorp at least 30 days prior to the date fixed for redemption.



If less than all of the Series B Preference Shares are at any time to be redeemed, the shares to be redeemed shall be selected either by lot in such manner as the board of directors may determine, or as nearly as may be in proportion to the number of Series B Preference Shares registered in the name of each shareholder.

#### *Restrictions on Dividends and on Purchase and Retirement of Shares*

So long as any Series B Preference Share is outstanding, Unicorp will not declare or pay any dividends or make any other distribution on any shares of Unicorp ranking junior to the Series B Preference Shares or redeem (other than a redemption pursuant to the provisions attaching to the Convertible Preference Shares, Series A) or purchase (other than as provided under Purchase Obligation) or otherwise retire (i) less than all of the Series B Preference Shares then outstanding or (ii) any shares of Unicorp ranking on a parity with or junior to the Series B Preference Shares, unless:

- (a) all dividends including the dividend payable on the next preceding dividend payment date on the Series B Preference Shares then outstanding have been declared and paid or provided for; and
- (b) after giving effect to such action, the total of all amounts paid as dividends, distributions, redemptions, purchases and other retirements on all classes of shares of Unicorp subsequent to December 31, 1979 would not exceed the total of Consolidated Net Earnings earned subsequent to December 31, 1979 plus the proceeds from any issue of shares ranking junior to the Series B Preference Shares.

"Consolidated Net Earnings" for any period means the net earnings of Unicorp and its subsidiaries for such period arrived at on a consolidated basis in accordance with generally accepted accounting principles.

#### *Restrictions on Issue of Additional Shares*

So long as any of the Series B Preference Shares are outstanding, Unicorp shall not, without the approval of the holders of such shares:

- (a) create or issue any shares which rank in priority to the Series B Preference Shares, or
- (b) issue any additional Preference Shares or any shares of any other class ranking on a parity with the Series B Preference Shares unless the Consolidated Net Tangible Assets, together with the estimated net proceeds of the shares to be so issued, shall be at least equal to two and one-half times the amount paid up on all Series B Preference Shares and any other shares of Unicorp ranking prior to or on a parity with the Series B Preference Shares to be outstanding immediately after such issue; provided that any of such shares which have been duly called for redemption and for the redemption whereof adequate provision has been made assuring that such shares will be redeemed within 35 days thereafter shall not be considered to be outstanding for the purposes of this subparagraph (b).

For the purpose of this restriction, "Consolidated Net Tangible Assets" means the total of all assets, less the total of (i) intangible assets, (ii) bank indebtedness, (iii) accounts payable and accrued charges, (iv) loans payable, (v) mortgages payable, (vi) minority interests, and (vii) any other items ordinarily classified as current or long-term liabilities, all as shown on the consolidated balance sheet of Unicorp determined in accordance with generally accepted accounting principles. The directors of Unicorp shall be entitled to determine the amount of the Consolidated Net Tangible Assets of Unicorp based on a consolidated balance sheet of Unicorp as at any date not more than 120 days prior to the making of such determination and such determination, for a period of 240 days next following the date to which such consolidated balance sheet is made up, shall be conclusive and binding on the holders of the Series B Preference Shares. All computations of Consolidated Net Tangible Assets shall take into account any substantial changes in Consolidated Net Tangible Assets from the date of such consolidated balance sheet to the date of the action requiring determination thereof or to be effected concurrently with such action.

#### **Description of Class A Share Purchase Warrants**

Warrants (the Class A Share Purchase Warrants) entitling the registered holders thereof to purchase an aggregate of 400,000 Class A Shares of Unicorp, as presently constituted, at any time after receipt and up to the close of business on November 30, 1981 at the price of \$5.00 per Class A Share, will be issued by Unicorp in accordance with the provisions of an indenture (the Warrant Indenture) to be dated July 1, 1980 between Unicorp and The Royal Trust Company, as trustee.

The Warrant Indenture will contain anti-dilution provisions which provide for a proportionate price adjustment in the event of (a) any reduction in the number of outstanding Class A or Class B Shares of Unicorp due to consolidation thereof, or (b) any increase in the number of the outstanding Class A or Class B Shares due to subdivision thereof, or (c) any reclassification of the outstanding Class A or Class B Shares.



The Warrant Indenture will provide that the purchase price is subject to adjustment in certain events including:

- (a) if Unicorp declares a dividend or makes a distribution on outstanding Class A, Class B or Common Shares payable in Class A, Class B or Common Shares or subdivides or consolidates its Class A, Class B or Common Shares;
- (b) if Unicorp issues to any of the holders of its Class A, Class B or Common Shares, shares of any class other than the Class A, Class B or Common Shares, or evidence of indebtedness, or assets (excluding cash dividends);
- (c) if Unicorp issues additional Class A, Class B or Common Shares or any rights for the purchase of or securities exchangeable for or convertible into Class A, Class B or Common Shares, at a price per share less than the purchase price under the Class A Share Purchase Warrants.

No adjustment in the purchase price will be required to be made (a) unless the cumulative effect of such adjustment or adjustments would change the purchase price by at least 1 % or (b) in respect of the issue of Class A, Class B or Common Shares pursuant to (i) the exercise of the conversion privilege attaching to the Series B Preference Shares, (ii) the exercise of these Class A Share Purchase Warrants, (iii) the exercise of the conversion option attaching to the Convertible Preference Shares, Series A, (iv) the exercise of the options issued to the holders of the Convertible Preference Shares, Series A, or (v) any stock purchase plan for officers or employees of Unicorp.

Unicorp will covenant in the Warrant Indenture that it will at all times reserve sufficient of its unissued Class A Shares to satisfy the exercise of the Class A Share Purchase Warrants.

Unicorp will also covenant in the Warrant Indenture that, during the period in which the Class A Share Purchase Warrants are exercisable, it will give public notice before taking certain actions, including the payment of a stock dividend on its Class A Shares, the making of any other distribution on its Class A Shares other than cash dividends, or the issue of rights to the holders of its Class A Shares, such notice to be given at least 21 days prior to the record date for the determination of the shareholders entitled to such dividend, distribution or rights. Such notice need only set forth such particulars of such dividend, distribution or rights as shall have been determined at the date the notice is given.

The Warrant Indenture will provide that certificates representing Units will not be exchangeable for certificates for the Series B Preference Shares and share purchase warrants until the earlier of September 30, 1980 and the date of the listing of the Series B Preference Shares on The Toronto Stock Exchange.

#### COST BASE OF WARRANTS

Generally, for Canadian income tax purposes the respective costs to a prospective purchaser of the one Series B Preference Share and the two Class A Share Purchase Warrants acquired as a Unit would be determined by allocating the issue price on a reasonable basis between the one Series B Preference Share and the two Class A Share Purchase Warrants. However, the policy of Revenue Canada is to treat no part of the issue price as being allocable to the Class A Share Purchase Warrants since the issue price for the Unit is at or below the redemption price of the Series B Preference Share. Accordingly, for income tax purposes the cost to the prospective purchaser of a Series B Preference Share is \$20.00 and the cost of the Class A Share Purchase Warrants is nil.

#### PRICE RANGE AND TRADING VOLUME OF SHARES

The following table sets forth the high and low closing sale prices for the shares of Unicorp on The Toronto Stock Exchange for the periods indicated:

	Common Shares			Class A Shares			Class B Shares		
	High	Low	Volume	High	Low	Volume	High	Low	Volume
	\$	\$		\$	\$		\$	\$	
1978									
First Quarter.....	1.25	1.00	5,650	—	—	—	—	—	—
Second Quarter.....	1.60	1.15	374,000	—	—	—	—	—	—
Third Quarter.....	1.95	1.40	150,200	—	—	—	—	—	—
Fourth Quarter.....	2.25	1.70	96,300	—	—	—	—	—	—
1979									
First Quarter.....	2.70	2.09	168,800	—	—	—	—	—	—
Second Quarter.....	3.25	2.50	154,800	—	—	—	—	—	—
Third Quarter.....	3.35	3.10	81,200	3.85	3.00	47,000	3.80	3.55	42,600
Fourth Quarter.....	—	—	—	3.75	3.00	46,600	4.00	3.00	40,800
1980									
January.....	—	—	—	3.30	3.00	42,300	3.50	3.00	39,600
February.....	—	—	—	4.00	3.00	7,600	4.00	3.00	5,900
March.....	—	—	—	4.10	3.40	5,000	4.25	3.75	6,300
April.....	—	—	—	4.50	4.00	6,500	4.50	3.80	6,400
May.....	—	—	—	4.60	4.00	22,700	4.60	4.00	26,100
June (to June 27).....	—	—	—	5.25	4.50	103,400	5.25	4.50	106,900



By articles of amendment dated June 22, 1979 each two Common Shares were changed into one Class A and one Class B Share. The Class A and Class B Shares were listed for trading on The Toronto Stock Exchange in substitution for the Common Shares on July 19, 1979.

On June 27, 1980, the closing price on The Toronto Stock Exchange of the Class A Shares of Unicorp was \$5.00 per share and the closing price for the Class B Shares was \$5.00 per share.

### **PRIOR SALES**

The only securities of Unicorp issued since March 1, 1979 are as follows:

1. On March 29, 1979, Unicorp issued an aggregate of 900,000 common shares (now 450,000 Class A Shares and 450,000 Class B Shares) to seven purchasers at a price of \$2.25 per share by way of private placement.
2. On December 14, 1979, Unicorp issued 41,250 Convertible Preference Shares, Series A to three purchasers at the price of \$20 per share by way of private placement. The 41,250 Convertible Preference Shares, Series A are convertible into an aggregate of 235,714 Class A Shares on or prior to December 31, 1982. In connection with this placement, Unicorp granted each purchaser a non-transferable option to acquire 5-5/7 Class A Shares per Convertible Preference Share, Series A at a price of \$4 per Class A Share, exercisable until December 31, 1982 provided that the Convertible Preference Shares, Series A held by that holder have been converted.
3. In connection with the amalgamation of Unicorp and Sentinel Holdings Limited (Sentinel) on December 31, 1979, 3,166,103 Class A Shares and 3,166,103 Class B Shares were issued to the shareholders of Unicorp and 83,361 Class A Shares and 83,361 Class B Shares were issued to the shareholders of Sentinel.
4. Pursuant to a resolution adopted on February 22, 1980, 110,000 Class A Shares were issued to two senior officers of Unicorp pursuant to its employee share purchase plan at \$2.85 per share.
5. Pursuant to a resolution adopted on June 2, 1980, 40,000 Class A Shares were issued to a senior officer of Unicorp pursuant to its employee share purchase plan at \$4.25 per share.

### **PLAN OF DISTRIBUTION**

Under an agreement (the Underwriting Agreement) dated July 2, 1980, between Unicorp and Midland Doherty Limited (the Underwriter), Unicorp has agreed to sell and the Underwriter has agreed to purchase, on July 24, 1980, or on such other date not later than August 13, 1980 as may be fixed by Unicorp and the Underwriter, the 200,000 Units offered by this prospectus for an aggregate consideration of \$4,000,000 and Unicorp has agreed to pay to the Underwriter an aggregate commission of \$240,000. The obligations of the Underwriter under the Underwriting Agreement may be terminated at its discretion on the basis of its assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriter is obligated to take up and pay for all Units if any of such Units is purchased under such agreement.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Series B Preference Shares, the Share Purchase Warrants, the Class A Shares and the Class B Shares of Unicorp at a level other than that which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. Certificates representing the Units will not be exchangeable for certificates for the Series B Preference Shares and share purchase warrants until the earlier of September 30, 1980 and the date of the listing of the Series B Preference Shares on The Toronto Stock Exchange.

### **USE OF PROCEEDS**

Unicorp's estimated net proceeds from the sale of the Units, after paying the Underwriter a commission of \$240,000 and after paying expenses of the issue estimated at \$100,000, will be \$3,660,000. These proceeds will be used to repay a portion of the secured demand bank loans made in 1979 to Unicorp for the purpose of financing Unicorp's investments in REIT's in the United States. At March 31, 1980, such bank loans amounted to U.S. \$11,509,000.



## DIVIDEND RECORD

Unicorp has paid the following dividends per share on its share capital in the periods indicated, commencing with its initial dividend on December 31, 1976:

Year Ended December 31,	Per Common Share (1)	Per Class A Share	Per Class B Share
1976.....	2½¢	—	—
1977.....	5 ¢	—	—
1978.....	2½¢(2)	—	—
1979.....	—	6¢	6¢

- (1) On June 22, 1979, each two Common Shares then outstanding were changed into one Class A Share and one Class B Share.
- (2) As a result of a compliance plan filed with the Anti-Inflation Board, Unicorp agreed not to declare the dividend that normally would have been paid in June, 1978.
- (3) On May 28, 1980, Unicorp declared a dividend of 3¢ per Class A Share and Class B Share payable on June 30, 1980 to shareholders of record on June 16, 1980.

## ELIGIBILITY FOR INVESTMENT

In the opinion of counsel, at the date of issue the Series B Preference Shares will be investments:

- (1) in which the Canadian and British Insurance Companies Act (Canada) states that a company registered under Part III thereof may invest its funds without availing itself for that purpose of the provisions of subsection (4) of section 63 thereof;
- (2) which the Foreign Insurance Companies Act (Canada) states are assets which a company registered under that Act may vest in trust for the purposes of such Act without availing itself for that purpose of the provisions of section 4 of Schedule I thereto;
- (3) in which the Loan Companies Act (Canada) states that a company subject to the provisions of that Act may invest its funds without availing itself for that purpose of the provisions of subsection (5) of section 60 thereof;
- (4) in which the Trust Companies Act (Canada) states that a company subject to the provisions of that Act may invest its own funds without availing itself for that purpose of the provisions of subsection (6) of section 68 thereof;
- (5) in which Schedule III to the regulations under the Pension Benefits Standards Act (Canada) states that a pension plan registered under that Act and whose investment powers are determined by said Schedule III may invest its funds without availing itself for that purpose of the provisions of section 4 of said Schedule III;
- (6) which the Regulations under the Income Tax Act (Canada) state are qualified investments for a trust governed by a registered retirement savings plan;
- (7) in which The Insurance Act (Ontario) states that an insurer (as defined for the purpose of Section 383 of that Act) may, without availing itself for that purpose of the provisions of section 383(4) thereof, invest its funds;
- (8) in which The Loan and Trust Corporations Act (Ontario) states that a loan corporation registered under that Act may invest without availing itself for that purpose of the provisions of section 151 thereof; and
- (9) in which The Loan and Trust Corporations Act (Ontario) states that a trust company registered under that Act may invest its own funds and, pursuant to the provisions of section 153(1) thereof, not more than 50% of monies received for guaranteed investment or as deposits without availing itself for that purpose of section 154 thereof.

## EARNINGS COVERAGE

The maximum annual dividend requirements on the Series A and Series B Preference Shares of Unicorp outstanding as at December 31, 1979, after giving effect to this issue will amount to approximately \$374,143 per annum. The consolidated net income, before extraordinary items, of Unicorp and its subsidiaries for the 12 months ended December 31, 1979 was \$797,044 which is approximately 2.13 times such maximum annual requirements.



The ratio of available earnings of Unicorp for the year ended December 31, 1979 to Unicorp's anticipated annualized fixed charges (including dividend requirements on the Series B Preference Shares) was 1.21 times, calculated as follows:

Consolidated net earnings (before deducting minority interest).....	\$1,557,746
Add:	
Interest on long-term debt.....	869,397
Available earnings.....	<u>\$2,427,143</u>
Annualized interest requirements on long-term debt of Unicorp outstanding at December 31, 1979.....	\$ 869,397
Annualized dividend requirements on preference shares of Jamieson (minority interest).....	760,702
Annualized dividend requirements (including Unicorp's tax cost) on Series A Preference Shares and Series B Preference Shares offered by this prospectus.....	<u>374,143</u>
Total fixed charges.....	<u>\$2,004,242</u>
Ratio of adjusted available earnings to total charges.....	<u>1.21</u>

The foregoing coverage has been calculated without including the results of Heritage Life for the 12 months ended December 31, 1979 due to the material changes in the assets, capital and operations of Heritage Life since it was acquired by Unicorp on March 31, 1980. For additional information reference is made to Acquisition of Heritage Life.

#### ASSET COVERAGE

The consolidated net tangible assets at December 31, 1979 of Unicorp, after giving effect to this issue, are as follows:

		(\$000's)
Consolidated assets.....		<u>\$57,306</u>
Less:		
Current liabilities.....		<u>20,044</u>
Net tangible assets before deduction of long-term debt.....		<u>37,262</u>
Less:		
Minority interest (preference shares of Jamieson).....	\$10,026	
Long-term debt.....	9,663	<u>19,689</u>
Net tangible assets.....		<u>17,573</u>
Estimated net proceeds from this issue.....		<u>3,660</u>
Adjusted net tangible assets.....		<u>\$21,233</u>
Aggregate issue price of all preference shares of Unicorp after giving effect to this issue.....		<u>\$ 4,825</u>

Based upon the foregoing, the consolidated net tangible assets amounting to \$21,233,000 are approximately 4.40 times the aggregate issue price of the Series A and Series B Preference Shares of Unicorp to be outstanding after giving effect to this issue.

The consolidated net tangible assets before deduction of long-term debt of Unicorp amounting to \$37,262,000 are approximately 1.52 times the total of (i) the principal amount of such long-term debt and (ii) the aggregate issue price of all preference shares of Jamieson and all preference shares of Unicorp to be outstanding after giving effect to this issue.

The foregoing coverage has been calculated without including the results of Heritage Life for the 12 months ended December 31, 1979 due to the material changes in the assets, capital and operations of Heritage Life since it was acquired by Unicorp on March 31, 1980. For additional information reference is made to Acquisition of Heritage Life.



## PRINCIPAL HOLDERS OF SECURITIES

To the knowledge of Unicorp, only George S. Mann and entities controlled by or associated with him own beneficially or of record, directly or indirectly, more than 10 percent of the voting securities of Unicorp. At March 31, 1980, they beneficially owned 2,202,864 Class A Shares or approximately 65.6% of the outstanding Class A shares of Unicorp, 2,202,864 Class B Shares or approximately 67.8% of the outstanding Class B Shares of Unicorp. The following table details these holdings:

<u>Name and Municipality of Residence</u>	<u>Type of Ownership</u>	<u>Number of Class A Shares Owned</u>	<u>Percentage of Class A Shares</u>	<u>Number of Class B Shares Owned</u>	<u>Percentage of Class B Shares</u>
Mann & Martel..... Toronto, Ontario	of record and beneficially beneficially only	1,687,626	50.3	1,687,626	52.0
Townsvie Properties Limited.. Toronto, Ontario	of record and beneficially	73,380	2.2	73,380	2.3
George S. Mann..... Toronto, Ontario	of record and beneficially beneficially only	49,738	1.5	49,738	1.5
Tracy Mann Investments Limited..... Toronto, Ontario	of record and beneficially	23,470	0.7	23,470	0.7
		100,000	3.0	100,000	3.1

Mann & Martel is a limited partnership, the general partner of which is Townsvie Properties Limited. George S. Mann owns all the outstanding shares of Townsvie Properties Limited. The limited partner of Mann & Martel is The Canada Trust Company as trustee of the Ridelle Trust, the benefits of which trust may be said to accrue indirectly to George S. Mann. George S. Mann controls Tracy Mann Investments Limited.

As of March 31, 1980, the directors and senior officers of Unicorp, as a group, beneficially owned, directly or indirectly, 2,517,169 Class A Shares of Unicorp, being 75.0% of such class, and 2,414,569 Class B Shares of Unicorp, being 74.4% of such class.

As at March 31, 1980, the partners and associates of Goodman & Goodman beneficially owned, directly or indirectly, 916 Class A Shares and 916 Class B Shares of Unicorp, 7,545 common shares of Great Northern, 100 common shares of Financial Trust Company and 3 shares of Heritage Life.

## DIRECTORS AND OFFICERS

The names and municipality of residence of the directors and officers of Unicorp, the offices held by them in Unicorp, and their principal occupations are as follows:

<u>Name and Municipality of Residence</u>	<u>Office</u>	<u>Principal Occupation</u>
LAWRENCE AUBREY BRENZEL..... Toronto, Ontario	Director.....	President, L.A. Brenzel Securities Ltd., an investment dealer
VERNON EDWARD DAUGHNEY..... Toronto, Ontario	Director.....	President, Great Northern Financial Corporation, an investment holding company
PETER IRVING LANGILL..... Toronto, Ontario	Director.....	Secretary-Treasurer, Hatch Associates Ltd., an engineering firm
ALBERT J. LATNER..... Toronto, Ontario	Director.....	President, Greenwin Property Management, a property development and management company



<u>Name and Municipality of Residence</u>	<u>Office</u>	<u>Principal Occupation</u>
JAMES WILLIAM LEECH..... Toronto, Ontario	Executive Vice-President..... and Director	Executive Vice-President, Unicorp
DAVID PHILLIP MANN..... Toronto, Ontario	Director.....	Retired businessman
GEORGE STANLEY MANN..... Toronto, Ontario	President and Director.....	President, Unicorp
DONALD RAFELMAN..... Toronto, Ontario	Director.....	President, Fallbrook Holdings Ltd., a private investment holding company
JOSEPH LOUIS ROTMAN..... Toronto, Ontario	Director.....	President, Roy-L, Canadian Fuels (Ontario) Limited, a wholesaler of petroleum products
LORIE WAISBERG..... Toronto, Ontario	Secretary and Director.....	Partner, Goodman & Goodman, barristers and solicitors
MICHAEL ROBERT KORDYBACK..... Toronto, Ontario	Treasurer.....	Treasurer, Unicorp

All of the directors and officers have been engaged for more than five years in their present principal occupations or in other executive capacities with the companies or firms with which they are presently associated or with affiliates or predecessors thereof, except: Mr. Daughney, who, from November, 1975 to November, 1976, was President of United Trust Company and, prior thereto, was Vice-President and a Director of Talcop Associates Limited; Mr. Leech, who, from March, 1979 to October, 1979, was Senior Vice-President of Eaton/Bay Financial Services Limited and, prior thereto, was Senior Vice-President of Commerce Capital Corporation Limited; Mr. Rafelman, who, prior to July, 1977, was a senior executive officer of Work Wear Corporation of Canada Limited; and Mr. Kordyback, who, from July, 1979 to June, 1980, was Treasurer of Extendicare Ltd., from August, 1978 to July, 1979, was Assistant Treasurer of Extendicare Ltd., from March, 1978 to August, 1978, was employed in various capacities with Price Waterhouse & Co., and, prior thereto, was employed in various capacities with Thorne, Riddell.

#### REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The following table shows the remuneration paid by Unicorp and its subsidiaries for the year ended December 31, 1979 to the directors and officers of Unicorp:

	<u>Nature of Remuneration</u>	
	<u>Aggregate Remuneration</u>	<u>Other Benefits</u>
Directors (10).....	\$ 6,400	nil
Five senior officers.....	\$180,833	\$ 5,841

#### INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

James W. Leech, Toronto, Ontario, a director and senior officer of Unicorp, is indebted to Unicorp by reason of a loan of \$85,000 purchased by Unicorp from his previous employer effective February 1, 1980, which loan is secured by a mortgage on his principal residence. The loan bears interest at 8% per annum and the amount outstanding as at March 31, 1980 was \$84,154. In addition, Mr. Leech is indebted to Unicorp by reason of a loan of \$50,000 purchased by Unicorp from his previous employer effective May 1, 1980, which loan is secured by a second mortgage on his principal residence. The loan is interest-free and the amount outstanding at May 31, 1980 was \$50,000.



On February 22, 1980, Unicorp approved a share purchase plan under which eligible full-time officers and employees may purchase Class A Shares funded by interest-free loans. These loans are secured by the pledge of the shares purchased. Under this plan, there are outstanding loans by Unicorp to senior officers as set forth in the following table:

<u>Name and Municipality of Residence</u>	<u>Amount Outstanding at Date of this Prospectus</u>
JAMES WILLIAM LEECH..... Toronto, Ontario	\$285,000
MICHAEL ROBERT KORDYBACK..... Toronto, Ontario	170,000
STANLEY EDWARD BATEMAN..... Mississauga, Ontario	28,500

### INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Within the past three years, Unicorp has entered into the following material transactions with directors and senior officers and principal shareholders:

1. By an offer dated August 8, 1977, Unicorp offered to purchase from all of its shareholders up to 1,600,000 of its outstanding common shares at a price of \$1.50 per share. As a result of this offer, George S. Mann and companies and persons associated with him sold an aggregate of 1,386,289 shares for total proceeds of \$2,079,433 and Lawrence A. Brenzel sold 5,364 shares for total proceeds of \$8,046. George S. Mann is a director, officer and principal shareholder of Unicorp and Lawrence A. Brenzel is a director of Unicorp.
2. Pursuant to an agreement dated April 6, 1978, Unicorp purchased Delisle Court, a shopping mall located at 1560 Yonge Street, Toronto, Ontario from Townsview Properties Limited (Townsview) for \$7,000,000. Townsview is controlled by George S. Mann, a director, officer and principal shareholder of Unicorp. Delisle Court was completed in late 1976 at an approximate cost to Townsview of \$5,045,000. Of this amount \$4,034,000 represented the cost of the building and the balance of \$1,011,000 represented the original cost of the land which had been assembled by Townsview between 1966 and 1970. Townsview and George S. Mann guaranteed that the minimum annual cash return to Unicorp will be at least 7% of Unicorp's total cash investment. This guarantee is for a term of 10 years or until the actual cash return to Unicorp exceeds 7% for two consecutive years.
3. Pursuant to an agreement dated January 22, 1979, Unicorp granted to Betrusted Investment Corporation Limited an option to purchase 150,000 shares of Great Northern owned by Unicorp at a price of \$2.00 per share prior to December 31, 1980 and thereafter at \$2.25 per share prior to December 31, 1981 after which time they expire. Betrusted Investment Corporation Limited is controlled by Vernon E. Daughney, a director of Unicorp. This option was granted to provide a performance incentive to Mr. Daughney, the President of Great Northern.
4. Pursuant to agreements dated March 9, 14 and 15, 1979, Unicorp issued an aggregate of 900,000 common shares at a price of \$2.25 per share by way of private placement. The purchasers included: companies controlled by or associated with Joseph L. Rotman, who subsequent to the purchase became a director of Unicorp; a company of which P. Irving Langill, who subsequent to the purchase became a director of Unicorp, is a director and officer; and a company controlled by Lawrence A. Brenzel, a director of Unicorp.
5. Pursuant to an agreement dated March 14, 1979, Unicorp has granted three corporations which are controlled by or associated with Joseph L. Rotman, a director of Unicorp, the right to participate in any new equity financings. This right has been waived in connection with this issue. This right will expire in March, 1984.
6. Pursuant to an agreement dated December 14, 1979, Unicorp issued an aggregate of 41,250 Convertible Preference Shares, Series A at the price of \$20 per share and non-transferable options to purchase 235,714 Class A Shares, all as described under Prior Sales. The purchasers included a company controlled by Albert J. Latner, who subsequent to the purchase became a director of Unicorp.



## MATERIAL CONTRACTS

In addition to contracts entered into by Unicorp in the ordinary course of its business, Unicorp has entered into the following material contracts within the past two years:

1. Agreements dated April 20, 1978 and September 29, 1978, between Jamieson, Unicorp and a Canadian trust company whereby Jamieson issued preference shares totalling \$2,826,000. In certain circumstances Unicorp may be required to purchase the preference shares from the trust company. To secure its obligation, Unicorp has pledged certain securities.
2. Agreements dated March 9, 14 and 15, 1979, between Unicorp and seven private investors as described under Prior Sales.
3. Agreement dated June 12, 1979, between Unicorp and Oakes Holding Company, Inc. whereby Unicorp purchased 94.6% of the outstanding Class A Shares and 55.1% of the outstanding Class B Shares of Sentinel Holdings Limited from Oakes Holding Company, Inc. for an aggregate cash consideration of \$660,236.
4. On November 5, 1979, Unicorp made a cash tender offer to purchase all the outstanding shares of Sentinel not owned by it. Pursuant to the offer, 932 Class A and 224,738 Class B shares of Sentinel were acquired for an aggregate amount of \$52,762.
5. Agreements dated December 14, 1979, between Unicorp and three private investors described under Prior Sales.
6. Agreement dated December 31, 1979, between Unicorp and Sentinel whereby the companies agreed to amalgamate effective December 31, 1979.
7. Agreement dated February 28, 1980, between Unicorp and The Equitable Life Holding Corporation whereby Unicorp conditionally agreed to purchase all outstanding shares of Heritage Life.
8. Agreement dated March 31, 1980, between Unicorp and Citicorp Ltd. whereby Citicorp Ltd. agreed to lend Unicorp the funds required to purchase the outstanding shares of Heritage Life.
9. The Underwriting Agreement dated July 2, 1980, between Unicorp and Midland Doherty Limited referred to under Plan of Distribution.

Copies of the above-described agreements may be inspected at the head office of Unicorp, 21 St. Clair Avenue East, Toronto, Ontario during ordinary business hours and while the Series B Preference Shares offered hereunder are in the course of distribution to the public and for a period of 30 days thereafter.

## AUDITORS

The auditors of Unicorp are Soberman, Isenbaum and Colomby, Chartered Accountants, 2 St. Clair Avenue East, Toronto, Ontario.

## REGISTRAR AND TRANSFER AGENT

The transfer agent and registrar for Unicorp's Class A Shares and Class B Shares, and Series B Preference Shares and Class A Share Purchase Warrants is The Royal Trust Company at its principal transfer offices in Toronto and Calgary.

## AUDITORS' REPORT

To the Directors of  
UNICORP FINANCIAL CORPORATION

We have examined the consolidated balance sheet of Unicorp Financial Corporation as at December 31, 1979 and 1978 and the consolidated statements of earnings, retained earnings, and changes in financial position for the five years ended December 31, 1979. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1979 and 1978 and the results of its operations and the changes in its financial position for the five years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Canada  
February 26, 1980  
(except for note 17(a) which is as of  
March 31, 1980 and note 17(b)  
which is as of July 2, 1980).

SOBERMAN, ISENBAUM & COLOMBY  
Chartered Accountants



# UNICORP FINANCIAL CORPORATION

## Consolidated Balance Sheet

### Assets

	December 31,	
	1979	1978
Marketable securities (note 3).....	\$ 5,409,593	\$ 7,046,942
Loans and accounts receivable.....	4,610,091	2,810,515
Mortgages receivable (note 4).....	312,824	698,847
Portfolio investments (note 5).....	27,281,481	16,100,656
Real estate investments (note 6).....	17,449,713	12,946,713
Investment in associated company (note 7).....	1,791,136	1,287,488
Other assets.....	450,741	259,890
	<u>\$57,305,579</u>	<u>\$41,151,051</u>

### Liabilities

Bank indebtedness (secured).....	\$16,859,058	\$ 7,138,749
Accounts payable and accrued charges.....	2,784,823	1,033,778
Loans payable.....	1,120,000	800,000
Mortgages payable (note 8).....	8,942,397	8,780,434
Minority interest (note 9).....	10,026,000	9,388,000
	<u>39,732,278</u>	<u>27,140,961</u>

### Shareholders' Equity

Capital stock (note 10).....	12,558,548	6,983,144
Retained earnings.....	5,014,753	7,026,946
	<u>17,573,301</u>	<u>14,010,090</u>
	<u>\$57,305,579</u>	<u>\$41,151,051</u>

Approved on behalf of the Board

G. S. MANN, Director

J. W. LEECH, Director

(See accompanying notes to consolidated financial statements.)

# UNICORP FINANCIAL CORPORATION

## Consolidated Statement of Retained Earnings

	Year ended December 31,				
	1979	1978	1977	1976	1975
Balance, beginning of year.....	\$7,026,946	\$5,623,363	\$4,928,050	\$2,616,611	\$2,573,717
Net earnings.....	840,925	1,539,388	1,350,112	2,487,244	363,564
	<u>7,867,871</u>	<u>7,162,751</u>	<u>6,278,162</u>	<u>5,103,855</u>	<u>2,937,281</u>
Deduct: dividends paid.....	379,932	135,805	311,610	175,805	—
excess of purchase price over value of net assets of Sentinel Holdings Limited acquired (note 2).....	196,896	—	—	—	—
excess of stated value of Sentinel Hold- ings Limited shares exchanged over the value of shares issued on amalgamation (note 10 (d)).....	2,276,290	—	—	—	—
excess of cost over paid-up capital of common shares purchased for cancel- lation.....	—	—	343,189	—	—
income tax adjustment.....	—	—	—	—	320,670
Balance, end of year.....	<u>\$5,014,753</u>	<u>\$7,026,946</u>	<u>\$5,623,363</u>	<u>\$4,928,050</u>	<u>\$2,616,611</u>

(See accompanying notes to consolidated financial statements.)



# UNICORP FINANCIAL CORPORATION

## Consolidated Statement of Earnings

	Year ended December 31,				
	1979	1978	1977	1976	1975
<b>Income</b>					
Rentals.....	\$1,688,661	\$1,051,410	\$ 788,888	\$ 633,301	\$ 570,740
Interest and dividends.....	2,735,597	1,583,702	1,095,841	290,136	25,086
Fees and other income.....	56,946	15,000	247,125	—	—
Gain (loss) on sale of securities.....	1,152,965	1,144,882	107,885	47,302	(52,526)
Gain on sale of real estate.....	300,443	33,161	71,712	13,162	105,325
	<u>5,934,612</u>	<u>3,828,155</u>	<u>2,311,451</u>	<u>983,901</u>	<u>648,625</u>
<b>Expenses</b>					
Property operating expenses.....	355,233	388,955	317,428	247,527	236,502
Interest on mortgages.....	869,397	469,694	324,410	287,523	223,887
Other interest.....	1,906,989	547,253	475,723	394,343	505,203
General and administrative.....	1,162,798	714,408	502,217	131,841	102,292
Depreciation.....	189,989	96,778	70,610	50,830	49,537
	<u>4,484,406</u>	<u>2,217,088</u>	<u>1,690,388</u>	<u>1,112,064</u>	<u>1,117,421</u>
Earnings (loss) before income taxes, minority interest and items shown below.....	1,450,206	1,611,067	621,063	(128,163)	(468,796)
Income taxes – deferred.....	—	—	—	(116,500)	(245,800)
Earnings (loss) before minority interest and items shown below.....	1,450,206	1,611,067	621,063	(11,663)	(222,996)
Minority interest (note 9).....	760,702	505,544	187,397	—	—
Earnings (loss) before items shown below.....	689,504	1,105,523	433,666	(11,663)	(222,996)
Equity in net earnings (loss) of associated and affiliated companies (note 11).....	107,540	210,939	232,446	(315,838)	825,934
Earnings (loss) before extraordinary items.....	797,044	1,316,462	666,112	(327,501)	602,938
Extraordinary items (note 12).....	43,881	222,926	684,000	2,814,745	(239,374)
Net earnings.....	<u>\$ 840,925</u>	<u>\$1,539,388</u>	<u>\$1,350,112</u>	<u>\$2,487,244</u>	<u>\$ 363,564</u>
<b>Earnings per share (note 13)</b>					
Earnings (loss) before extraordinary items.....	\$ .13	\$ .24	\$ .10	\$ (.05)	\$ .08
Extraordinary items.....	.01	.04	.11	.40	(.03)
Net earnings.....	<u>\$ .14</u>	<u>\$ .28</u>	<u>\$ .21</u>	<u>\$ .35</u>	<u>\$ .05</u>

(See accompanying notes to consolidated financial statements.)

# UNICORP FINANCIAL CORPORATION

## Consolidated Statement of Changes in Financial Position

	Year ended December 31,				
	1979	1978	1977	1976	1975
Source of funds					
Earnings before equity in net earnings of associated and affiliated companies and extraordinary items.....	\$ 689,504	\$ 1,105,523	\$ 433,666	\$ —	\$ —
Add depreciation, not requiring an outlay of cash	189,989	96,778	70,610	—	—
Funds provided from operations.....	879,493	1,202,301	504,276	—	—
Increase in bank indebtedness.....	9,501,561	4,798,354	512,525	—	893,915
Proceeds from sale of common shares.....	2,025,000	262,428	—	—	450,000
Increase in accounts payable.....	1,730,057	—	253,909	—	—
Sale of marketable securities (net).....	1,637,349	—	601,022	—	119,811
Proceeds from sale of preference shares.....	825,000	—	—	—	—
Mortgage financing.....	729,178	5,800,000	1,139,000	150,000	730,000
Proceeds from sale of preference shares by subsidiary (note 9).....	638,000	2,188,000	9,000,000	—	—
Loans payable.....	600,000	—	62,067	—	225,837
Mortgages receivable repayments.....	539,523	75,453	—	—	—
Real estate sold.....	449,366	313,869	1,118,436	109,296	349,627
Sale of portfolio investments.....	—	3,889,786	126,564	—	404,250
Sale of investment in other companies.....	—	1,430,872	—	17,039,593	4,095,000
Proceeds from income debenture.....	—	—	—	5,700,000	—
Net changes in other assets and liabilities.....	8,281	—	—	318,626	78,002
	<u>\$19,562,808</u>	<u>\$19,961,063</u>	<u>\$13,317,799</u>	<u>\$23,317,515</u>	<u>\$ 7,346,442</u>
Use of funds					
Loss before equity in net earnings of associated and affiliated companies and extraordinary items	\$ —	\$ —	\$ —	\$ 11,663	\$ 222,996
Add (deduct) items not requiring an outlay of cash					
Deferred income taxes.....	—	—	—	116,500	245,800
Depreciation.....	—	—	—	(50,830)	(49,537)
Funds utilized in operations.....	—	—	—	77,333	419,259
Additions to portfolio investments.....	11,180,825	3,670,584	121,792	15,238,392	6,195,078
Additions to real estate investments.....	5,133,190	7,457,625	1,940,227	1,258,639	150,461
Acquisition of Sentinel Holdings Limited shares.....	856,202	—	—	—	—
Mortgage principal repayments.....	567,215	191,976	544,599	147,730	345,968
Increase in loans and accounts receivable.....	451,420	1,083,785	1,133,405	380,471	10,032
Dividends paid.....	379,932	135,805	311,610	175,805	—
Additions to investment in other companies....	352,227	—	412,149	768,722	—
Repayment of loans payable.....	280,000	—	—	882,473	225,644
Deposits on land purchases.....	208,297	—	—	—	—
Mortgages taken back on sale of real estate....	153,500	199,300	575,000	—	—
Purchase of marketable securities (net).....	—	5,308,312	—	2,148,316	—
Redemption of preference shares by subsidiary (note 9).....	—	1,800,000	—	—	—
Repayment of income debenture.....	—	—	5,700,000	—	—
Purchase of common shares for cancellation....	—	—	2,400,000	5,654	—
Repayment of bank indebtedness.....	—	—	—	2,233,980	—
Net changes in other assets and liabilities.....	—	113,676	179,017	—	—
	<u>\$19,562,808</u>	<u>\$19,961,063</u>	<u>\$13,317,799</u>	<u>\$23,317,515</u>	<u>\$ 7,346,442</u>

(See accompanying notes to consolidated financial statements.)



# UNICORP FINANCIAL CORPORATION

## Notes to Consolidated Financial Statements

December 31, 1979

### 1. Summary of significant accounting policies

#### (a) Consolidation

The consolidated financial statements include:

- (i) the accounts of the Company and its subsidiaries;
- (ii) the accounts of unincorporated co-tenancies and partnerships in which the Company participates, to the extent of the Company's interest in their respective assets, liabilities, revenues and expenses;
- (iii) the investment in Great Northern Financial Corporation, an associated company, accounted for on the equity basis.

#### (b) Depreciation

The Company records depreciation on its fixed assets as follows:

Office complex	- 2% straight line method
Buildings	- 5% sinking fund method to fully depreciate buildings over a 25 year period
Furniture and fixtures	- 20% declining balance
Automobiles	- 30% declining balance
Leasehold improvements	- straight line over a 15 year period

#### (c) Income taxes

Income taxes on net earnings are not exigible, primarily because a large portion of the Company's income consists of dividends and deemed dividends from taxable Canadian corporations.

The Company and its subsidiaries are subject to income taxes on an individual, rather than consolidated basis. The companies have losses carried forward for federal income tax purposes aggregating approximately \$1,436,400 which are available for the reduction of future years' taxable incomes. These losses expire as follows:

1981.....	\$ 280,400
1982.....	114,700
1983.....	251,300
1984.....	790,000
	<u>\$1,436,400</u>

In addition, the Company has net capital losses available for the reduction of future years' capital gains amounting to, approximately \$8,600,000 at December 31, 1979.

Future income tax recoveries on the non-capital and capital losses available have not been recognized in the accounts.

#### (d) Translation of foreign currencies

Accounts maintained in United States dollars have been translated into Canadian funds on the following basis: cash and current liabilities at the rate of exchange in effect at the year end, marketable securities and real estate at the rate at the time of acquisition or disposal, and income and expenses at the average rate for the year. The resulting exchange gains or losses are included in the consolidated statement of earnings.

#### (e) Property held for future development

Real estate investments include several properties which are held for future development. These properties are valued at cost plus certain maintenance, carrying and development costs.

### 2. Sentinel Holdings Limited

#### (a) Acquisition

On October 30, 1979, the Company acquired 42,271 Class A shares and 2,659,238 Class B shares of Sentinel Holdings Limited for an aggregate cost of \$660,236.

Following the closing, the Company made an offer, to the remaining shareholders of Sentinel Holdings Limited, of \$1.15 per Class A share and \$0.23 per Class B share. Pursuant to the offer, the Company acquired 932 Class A shares and 224,738 Class B shares for an aggregate cost of \$52,762.

#### (b) Amalgamation

On December 31, 1979, Articles of Amalgamation continuing Unicorp Financial Corporation and Sentinel Holdings Limited under the name of Unicorp Financial Corporation were filed and a Certificate of Amalgamation obtained. Under the amalgamation agreement:

- (i) the outstanding 41,250 Convertible Preference Shares, Series A of Unicorp were converted into Convertible Preference Shares, Series A on a one for one basis;
- (ii) the 3,166,103 Class A Shares and the 3,166,103 Class B Shares of Unicorp were converted into Class A and Class B Shares on a one for one basis;
- (iii) the 43,203 Class A and 2,883,976 Class B shares of Sentinel owned by Unicorp were cancelled;
- (iv) the remaining 1,488 Class A shares of Sentinel were converted into 310 Class A and 310 Class B Shares of Unicorp; and

(v) the remaining 1,945,228 Class B shares of Sentinel were converted into 81,051 Class A and 81,051 Class B Shares of Unicorp.

(c) The following net assets were acquired in this transaction:

Assets acquired.....	\$1,348,156
Liabilities assumed.....	239,736
Net assets acquired.....	<u>1,108,420</u>
Excess of purchase price over net assets acquired, charged to retained earnings.....	196,896
Total purchase price.....	<u>\$1,305,316</u>
Consideration	
Cash (including costs of acquisition).....	\$ 856,202
Issue of 81,361 Class A Shares.....	224,557
Issue of 81,361 Class B Shares.....	224,557
	<u>\$1,305,316</u>

3. Marketable Securities

	Cost	Market
1979.....	\$5,409,593	\$4,810,741
1978.....	\$7,046,942	\$7,468,933

4. Mortgages receivable

The mortgages receivable represent first and second mortgages bearing interest at 10½ % to 12½ %, and maturing in various years from 1980 to 1984.

5. Portfolio investments – at cost

	1979		1978	
	Number of Shares	Amount	Number of Shares	Amount
Royal Trustco Limited.....	801,712	\$11,235,091	797,912	\$11,181,076
First Union Real Estate Equity and Mortgage Investments.....	249,630	4,512,721	100	1,285
Real Estate Investment Trust of America.....	159,700	3,194,207	84,800	1,525,756
San Francisco Real Estate Investors.....	114,600	2,422,064	72,800	1,410,256
GREIT Realty Trust.....	230,219	2,027,018	98,700	733,287
AVEMCO Corporation.....	211,900	1,924,289	—	—
National Bank of Canada.....	152,234	1,966,092	98,034	1,248,995
		<u>\$27,281,482</u>		<u>\$16,100,655</u>
Market values.....		<u>\$30,356,058</u>		<u>\$16,113,815</u>

6. Real estate investments

Real estate investments are stated at cost less accumulated depreciation of \$496,574 at December 31, 1979 and \$321,897 at December 31, 1978.

7. Investment in associated company – equity basis

	1979		1978	
	Percent Interest in Common Shares	Number of Shares	Book Value	Book Value
Great Northern Financial Corporation.....	37	600,000	\$1,791,136	\$1,287,489
Market value.....			<u>\$1,560,000</u>	<u>\$ 713,513</u>

The Company has granted an option to a company controlled by a senior officer of Great Northern Financial Corporation to purchase up to 150,000 shares of Great Northern Financial Corporation owned by the Company at a price of \$2.00 per share prior to December 31, 1980 and thereafter at \$2.25 per share prior to December 31, 1981 after which time the option expires.

8. Mortgages payable

Mortgages on real estate investments bear interest at rates varying from 8½ % to 15 % and mature in various years from 1980 to 2003.

9. Minority interest

(a) In October, 1977 the Company's wholly-owned subsidiary, Canadian Jamieson Developments Limited, sold \$9,000,000 of its preference shares to a Canadian chartered bank. These preference shares are redeemable no later than May 15, 1982 and pay a cumulative dividend at a rate of 1¾ % plus one-half the prime lending rate of the bank up to February 15, 1980 which then increases to 1½ % plus one-half the prime rate of the bank until May 15, 1982. To date \$1,800,000 of these preference shares have been redeemed. In certain circumstances the bank can require the Company to purchase the preference shares. To secure its obligations to the bank, the Company has pledged 797,912 shares of Royal Trustco Limited.



- (b) In 1978 and 1979 Canadian Jamieson Developments Limited sold \$2,826,000 of its preference shares to a trust company. These preference shares are redeemable no later than May 15, 1983 and pay a cumulative dividend at a rate of 1½% plus one-half the prime lending rate of a Canadian chartered bank. In certain circumstances the trust company can require the Company to purchase the preference shares. To secure its obligations to the trust company, the Company has pledged 152,195 shares of The National Bank of Canada as well as certain of its other marketable securities.

# 10. Capital stock

## Authorized

- 1,000,000 Preference Shares, with a par value of \$20 each issuable in series of which 75,000 have been designated as Convertible Preference Shares, Series A  
30,000,000 Class A Shares without par value  
20,000,000 Class B Shares without par value  
100 Common Shares without par value

## Issued

	1979	1978
41,250 Convertible Preference Shares, Series A.....	\$ 825,000	\$ —
3,247,464 Class A Shares.....	5,866,774	—
3,247,464 Class B Shares.....	5,866,774	—
— Common Shares.....	—	6,983,144
	<u>\$12,558,548</u>	<u>\$ 6,983,144</u>

- (a) By Articles of Amendment dated June 22, 1979, the Company
- changed its 6,332,206 issued Common Shares without par value into 3,166,103 Class A Shares without par value and 3,166,103 Class B Shares without par value on the basis of one Class A Share and one Class B Share for each two issued Common Shares;
  - decreased its authorized capital by cancelling 7,063,094 unissued Common Shares;
  - increased its authorized capital by creating an additional 26,833,897 Class A Shares and 16,833,897 Class B Shares.
- (b) On December 14, 1979, the Company issued 41,250 Convertible Preference Shares, Series A for a consideration of \$825,000 cash. After December 31, 1980, a holder of Convertible Preference Shares, Series A may require the Company to redeem his shares on 180 days notice. The Convertible Preference Shares, Series A are convertible into Class A Shares of Unicorp on the basis of 5 5/7 Class A Shares for each Convertible Preference Share, Series A (i) at the option of the holder at any time up to December 31, 1982; (ii) at the option of the Company if at any time the Class A Shares of the Company are traded on The Toronto Stock Exchange at a price of \$5.25 or more per share for 60 out of 90 consecutive trading days; and (iii) on December 31, 1982.

For every Convertible Preference Share, Series A subscribed for, the Company granted the purchaser a non-transferable option to acquire 5 5/7 Class A Shares at a price of \$4.00 per Class A Share exercisable until December 31, 1982 provided that the Convertible Preference Shares, Series A held by the option holder have been converted.

- (c) By Articles of Amalgamation dated December 31, 1979 (note 2(b)), the shares of Sentinel Holdings Limited not owned by the Company were converted into 81,361 Class A Shares and 81,361 Class B Shares.
- (d) Details of issued share capital of Class A Shares, Class B Shares and Common Shares are as follows:

	Common		Class A		Class B	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance, beginning of year.....	5,432,206	\$6,983,144	—	—	—	—
Sale of shares, March 29, 1979.....	900,000	2,025,000	—	—	—	—
Reorganization by Articles of Amendment, June 22, 1979 (see (a) above).	(6,332,206)	(9,008,144)	3,166,103	\$4,504,072	3,166,103	\$4,504,072
Conversion of shares of Sentinel Holdings Limited, December 31, 1979 (see (c) above).....	—	—	81,361	224,557	81,361	224,557
Excess of stated value of Sentinel Holdings Limited shares exchanged over the value of shares issued on amalgamation (note 2).....	—	—	—	1,138,145	—	1,138,145
Balance, end of year.....	<u>—</u>	<u>\$ —</u>	<u>3,247,464</u>	<u>\$5,866,774</u>	<u>3,247,464</u>	<u>\$5,866,774</u>

- (e) Reserved

Class A Shares were reserved as follows:

Under the employee share purchase plan.....	150,000
For conversion of the Convertible Preference Shares, Series A as described in (b) above.....	235,714
For the exercise of options granted to the holders of the Convertible Preference Shares, Series A exercisable at \$4.00 per share as described in (b) above.....	235,714
	<u>621,428</u>

**11. Equity in net earnings of associated and affiliated companies**

	1979	1978	1977	1976	1975
Great Northern Financial Corporation.....	\$107,540	\$ 28,139	(\$ 1,454)	(\$ 33,150)	\$137,679
MDS Health Group Limited.....	—	182,800	233,900	—	—
United Trust Company.....	—	—	—	(282,688)	576,140
Douglas Leaseholds Limited.....	—	—	—	—	112,115
	<u>\$107,540</u>	<u>\$210,939</u>	<u>\$232,446</u>	<u>(\$ 315,838)</u>	<u>\$825,934</u>

**12. Extraordinary items**

	1979	1978	1977	1976	1975
Reduction of deferred income taxes arising from a deemed capital loss for income tax purposes as a result of certain security transactions.....	\$ —	\$ —	\$684,000	\$ —	\$ —
Gain on sale of United Trust Company shares (net of deferred income taxes of \$1,156,000).....	—	—	—	3,939,819	—
Portfolio investment written-down (net of deferred income taxes of \$355,500).....	—	—	—	(1,125,074)	—
Loss on sale of Autolec Inc. shares (net of deferred income taxes of \$74,870).....	—	—	—	—	(239,374)
Equity in extraordinary items of Great Northern Financial Corporation:					
Gain on sale of resource properties.....	25,942	300,846	—	—	—
Recovery of income taxes arising from application of prior years' exploration and development expenses.....	20,714	—	—	—	—
Write-down of mining assets (net of deferred income taxes of \$68,928).....	—	(74,672)	—	—	—
Other.....	(2,775)	(3,248)	—	—	—
	<u>\$ 43,881</u>	<u>\$222,926</u>	<u>\$684,000</u>	<u>\$2,814,745</u>	<u>(\$239,374)</u>

**13. Earnings per share**

Earnings per share have been calculated based upon the weighted average of the number of shares outstanding during the period (1979 – 6,107,206; 1978 – 5,432,206; 1977 – 6,498,873; 1976 – 7,032,206; 1975 – 7,036,806).

**14. Remuneration of directors and senior officers**

The aggregate direct remuneration paid to directors and senior officers of the Company amounted to \$193,074 in 1979 and \$183,138 in 1978.

A director and senior officer is indebted to the Company by reason of a loan for \$80,000 made during the year to enable him to purchase a residence. The loan bears interest at 8 $\frac{3}{8}$ % per annum and the amount outstanding at December 31, 1979 was \$79,654.

**15. Contingent liabilities**

- The Company is contingently liable for all the obligations of co-tenancies and partnerships in which it participates. However, against these contingent liabilities, the Company would have a claim upon the assets of the other co-tenants and partners.
- The Company is obliged in certain circumstances to purchase an income debenture of an associated company, Great Northern Financial Corporation, in the amount of \$1,500,000.

**16. Comparative figures**

Comparative figures for the year ended December 31, 1978 have been reclassified to conform with the 1979 presentation.

**17. Subsequent events**

- On March 31, 1980, the Company acquired all the outstanding shares of Heritage Life Assurance Company, Toronto for an amount of \$14,016,855. Heritage is a federally chartered life insurance company which is licensed to write life, health and pension contracts in all provinces of Canada. The Company financed this acquisition with a loan from a Canadian financial institution.



The following is a summary of the balance sheet of Heritage Life Assurance Company as at December 31, 1979 prepared in accordance with accounting practices appropriate to Canadian insurance companies:

#### ASSETS

Bonds and debentures (market value \$16,637,700).....	\$18,791,838
Mortgage loans.....	3,673,360
Commercial paper.....	1,083,061
Cash.....	64,596
Accrued interest.....	492,373
Other assets.....	1,056,513
	<u>\$25,161,741</u>

#### LIABILITIES

Actuarial liabilities for life insurance, health insurance and annuity contracts.....	\$ 2,822,713
Accounts payable and accrued expenses.....	171,377
Other liabilities.....	13,669
	<u>3,007,759</u>
Reserve for investments.....	2,246,354
Reserve for miscellaneous assets.....	839,043
	<u>3,085,397</u>

#### SHAREHOLDERS' EQUITY

Capital stock.....	1,000,000
Capital contribution in excess of par value.....	24,476,413
Deficit.....	(6,407,828)
	<u>19,068,585</u>
	<u>\$25,161,741</u>

The market value of the bonds and debentures held by Heritage as at March 31, 1980 diminished a further \$1,983,145.

The following is a summary of the operating results for Heritage Life Assurance Company for the years ended December 31, 1979 and 1978 prepared in accordance with accounting practices appropriate to Canadian insurance companies:

	1979	1978
Income.....	\$3,756,226	\$ 3,524,553
Expenses.....	4,853,953	4,520,103
Loss for year.....	<u>\$1,097,727</u>	<u>\$ 995,550</u>

- (b) On July 2, 1980, the Company entered into an agreement for the sale to underwriters of 200,000 Units (each Unit consisting of one 9% cumulative redeemable convertible preference share, Series B with a \$20 par value and two Class A share purchase warrants) for an aggregate consideration of \$4,000,000 before deducting commission and estimated expenses of issue aggregating \$340,000.

## PURCHASER'S STATUTORY RIGHTS

Sections 70, 126 and 135 of The Securities Act, 1978 (Ontario) provide, in effect, that when a security is offered in the course of a distribution or a distribution to the public:

- (a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the dealer from whom the purchaser purchased the security not later than midnight on the second business day after the latest prospectus and any amendment to the prospectus offering such security is received or deemed to be received by him or his agent; and
- (b) if a prospectus together with any amendment thereto contains a misrepresentation, a purchaser who purchases a security offered thereby during the period of distribution or distribution to the public shall be deemed to have relied on such misrepresentation if it was a misrepresentation at the time of purchase and, subject to the limitations set forth in such Act,
  - (1) has a right of action for damages against,
    - (i) the issuer or a selling security holder on whose behalf the distribution is made,
    - (ii) each underwriter required to sign the certificate required by section 58 of such Act,
    - (iii) every director of the issuer at the time the prospectus or amendment was filed,
    - (iv) every person or company whose consent has been filed pursuant to a requirement of the regulations under such Act but only with respect to reports, opinions or statements made by them, and
    - (v) every other person or company who signed the prospectus or the amendment,but no action to enforce the right can be commenced by a purchaser more than the earlier of 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action or three years after the date of the transaction that gave rise to the cause of action, or
  - (2) may, where the purchaser purchased the security from a person or company referred to in (i) or (ii) above or from another underwriter of the securities, elect to exercise a right of rescission against such person, company or underwriter, in which case he shall have no right of action for damages against such person, company or underwriter, but no action to enforce this right can be commenced by a purchaser more than 180 days after the date of the transaction that gave rise to the cause of action.

Sections 64 and 65 of The Securities Act (Alberta), sections 71 and 72 of The Securities Act (Saskatchewan) and sections 63 and 64 of The Securities Act (Manitoba) provide, in effect, that where a security is offered in the course of distribution to the public:

- (A) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor or his agent not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by the purchaser or the purchaser's agent; and
- (B) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security, as of the date of receipt or deemed receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right of rescission can be commenced after the expiration of 90 days from the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by the purchaser or the purchaser's agent, whichever is later.

Sections 60 and 61 of the Securities Act (British Columbia) provide, in effect, that where a security is offered in the course of primary distribution to the public, a purchaser has the same right of rescission described in (B) above and also that a purchaser has the right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus together with financial statements and reports and summaries of reports relating to the security, as filed with the Superintendent of Brokers for British Columbia, was not delivered to him or his agent prior to delivery of the written confirmation of the sale of the security to either of them. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell the security within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.

Reference is made to the aforesaid Acts for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.



## CERTIFICATES

Dated: July 2, 1980.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of the Securities Act (British Columbia), by Part 7 of The Securities Act (Alberta), by Part VIII of The Securities Act (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XIV of The Securities Act, 1978 (Ontario), and the respective regulations thereunder, and by section 13 of The Securities Act (New Brunswick).

(Signed) GEORGE MANN  
Chief Executive Officer

(Signed) J. W. LEECH  
Chief Financial Officer

On behalf of the Board of Directors

(Signed) P. I. LANGILL  
Director

(Signed) L. WAISBERG  
Director

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of the Securities Act (British Columbia), by Part 7 of The Securities Act (Alberta), by Part VIII of The Securities Act (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XIV of The Securities Act, 1978 (Ontario), and the respective regulations thereunder, and by Section 13 of The Securities Act (New Brunswick).

MIDLAND DOHERTY LIMITED

By: (Signed) G. C. SPEAKMAN

The following includes the name of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of Midland Doherty Limited: David B. Weldon, P. N. Holtby, J. H. Eliot, D. H. Page, J. R. Barton, I. A. Falconer, M. Gaasenbeek, W. J. O'Connor, Jr., G. F. Ryley, L. E. White.

## **SCHEDULE A**

### **Provisions Attaching to the Preference Shares as a Class**

The Preference Shares shall, as a class, have attached thereto the following designation, preferences, rights, conditions, restrictions, limitations and prohibitions:

- (1) The Preference Shares may at any time or from time to time be issued in one or more series, each series to consist of such number of shares as may before the issue thereof be determined by the board of directors of the Corporation. The directors shall by resolution fix from time to time before the issue of any series of Preference Shares the designation, preferences, rights, restrictions, conditions, limitations or prohibitions attaching thereto including, without limiting the generality of the foregoing, the provision of a purchase fund, the right of the Corporation to purchase such shares for cancellation, the rate of preferential dividends, the dates of payment thereof, the date or date from which any such preferential dividends shall accrue, redemption rights including terms and conditions of redemption, conversion right and any sinking funds or other provisions and authorize the issuance thereof, the whole subject to issue by the Minister of Consumer and Commercial Relations of a certificate of filing of a statement in respect of such resolution.
- (2) The Preference Shares of each series shall be entitled to preference over the Class A Shares, the Class B Shares and Common Shares of the Corporation and any other shares ranking junior to the Preference Shares with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, and may also be given such other preferences over the Class A Shares, the Class B Shares and Common Shares of the Corporation and any other shares ranking junior to the Preference Shares as may be determined as to the respective series authorized to be issued.
- (3) The Preference Shares of each series shall rank on a parity with the Preference Shares of every other series with respect to priority in payment of dividends and in the distribution of assets of the Corporation in the event of liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purposes of winding up its affairs.
- (4) The holders of the Preference Shares shall not be entitled as such (except as hereinafter specifically provided) to receive notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting (but shall be entitled to receive notice of meetings of shareholders of the Corporation called for the purpose of authorizing the dissolution of the Corporation or the sale of its undertaking or a substantial part thereof) unless and until (8) quarterly dividends on the Preference Shares of any one series shall remain outstanding in whole or in part and be unpaid whether or not consecutive and whether or not such dividends have been declared and whether or not there are any moneys of the Corporation properly applicable to the payment of dividends.

Thereafter, but only so long as any dividends on the Preference Shares of any series remain in arrears, the holders of the Preference Shares shall be entitled to receive notice of and to attend all meetings of the shareholders of the Corporation and shall be entitled, voting separately and as a class, to elect two (2) members of the board of directors of the Corporation.

Notwithstanding anything in the by-laws of the Corporation, when the right to elect directors shall accrue as provided herein, a special meeting of the holders of the Preference Shares as a class and a special general meeting of shareholders shall be held to elect directors upon not less than twenty-one (21) days' written notice and shall be called by the Secretary of the Corporation upon the written request of the holders of record of at least one-tenth (1/10) of the outstanding Preference Shares. In default of the calling of such meeting by the Secretary within twenty-one (21) days after the making of such request, such meeting may be called by any holder of record of Preference Shares. The term of office of all persons who may be directors of the Corporation at the time of such meetings shall terminate upon the election of directors at such meetings. Nothing herein contained shall be deemed to limit the right of the Corporation from time to time to increase or decrease the number of its directors.



- (5) Any vacancy or vacancies occurring among members of the board elected to represent the holders of Preference Shares in accordance with paragraph (4) hereof may be filled by the board of directors with the consent and approval of the remaining director or directors elected to represent the holders of Preference Shares but if there be no such remaining director or directors the board may elect or appoint sufficient holders of Preference Shares to fill that vacancy or vacancies. Whether or not such vacancy or vacancies are so filled by the board, the holders of record of at least one-tenth (1/10) of the outstanding Preference Shares shall have the right to require the Secretary of the Corporation to call a meeting of the holders of Preference Shares as a class for the purpose of filling the vacancy or vacancies or replacing all or any of the persons elected or appointed to fill such vacancy or vacancies and the provisions of paragraph (4) hereof shall apply with respect to the calling of any such meeting.
- (6) Notwithstanding anything contained in the by-laws of the Corporation, when no dividends on the Preference Shares of any series are in arrears, the term of office of the persons elected as directors to represent the holders of Preference Shares shall forthwith terminate.
- (7) The authorization required by subsection 4 of section 189 of The Business Corporations Act (or any other statutory provision of like or similar effect, from time to time in force) to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Preference Shares as a class or to create special shares ranking in priority to or on a parity with the Preference Shares may be given by at least two-thirds (2/3) of the votes cast at a meeting of the holders of the Preference Shares duly called for that purpose and held upon at least twenty-one (21) days' notice at which the holders of a majority of the outstanding Preference Shares are present or represented by proxy. If at any such meeting the holders of a majority of the outstanding Preference Shares are not present or represented by proxy within one-half (1/2) an hour after the time appointed for such meeting, then the meeting shall be adjourned to such date being not less than thirty (30) days later and to such time and place as may be appointed by the Chairman and no less than twenty-one (21) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called. At such adjourned meeting the holders of Preference Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed thereat by not less than two-thirds (2/3) of the votes cast at such adjourned meeting shall constitute the authorization of the holders of the Preference Shares referred to above. The formalities to be observed in respect of the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed by the by-laws of the Corporation with respect to meetings of shareholders. On every poll taken at every such meeting or adjourned meeting every holder of Preference Shares shall be entitled to one (1) vote in respect of each Preference Share held.

## **SCHEDULE B**

### **Provisions Attaching to the 9% Cumulative Redeemable Convertible Preference Shares, Series B**

The second series of Preference Shares with a par value of \$20 each shall consist of 200,000 Preference Shares and the shares of such series shall be designated as 9 % Cumulative Redeemable Convertible Preference Shares, Series B (the "Series B Preference Shares") and, in addition to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference Shares as a class, shall have attached thereto the preferences, rights, conditions, restrictions, limitations and prohibitions hereinafter set forth:

#### **1. Dividends**

The holders of the Series B Preference Shares shall be entitled to receive, and the Corporation shall pay thereon, as and when declared by the board of directors out of the monies of the Corporation properly applicable to the payment of dividends, fixed cumulative preferential cash dividends at the rate of nine percent (9 %) per annum of the par value of such shares and such dividends shall be payable in quarterly instalments on the last day of each of March, June, September and December in each year and the first dividend shall be paid on September 30, 1980 and shall accrue from the date of issue of the Series B Preference Shares. If on any date for the payment of any dividend on the Series B Preference Shares the dividend payable on such date is not paid in full on all the Series B Preference Shares then issued and outstanding, such dividend, or the unpaid part thereof, shall be paid on a subsequent date or dates determined by the board of directors of the Corporation on which the Corporation shall have sufficient monies properly applicable to the payment of the same. Cheques of the Corporation payable at par at any branch of the Corporation's bankers for the time being in Canada shall be issued in respect of all dividends on the Series B Preference Shares. The holders of the Series B Preference Shares shall not be entitled to any dividends other than or in excess of the cash dividends hereinbefore provided in this Paragraph 1.

#### **2. Entitlement on Liquidation, Dissolution or Winding-Up**

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Series B Preference Shares shall be entitled to receive the amount paid up on such shares, together with all dividends (if any) accrued thereon up to the date of distribution and then remaining unpaid on such shares, whether or not earned or declared (which dividends, for such purpose, shall be calculated as if such dividends were accruing from day to day) and, if such liquidation, dissolution, winding-up or other distribution is voluntary, an additional amount equal to the premium (if any) which would be payable upon the Series B Preference Shares as part of the redemption price of such shares if such shares were redeemed on the date of such distribution under the provisions of Paragraph 7 below and not pursuant to any compulsory purchase or retirement obligation imposed upon the Corporation, the whole before any amount shall be paid or any property or assets of the Corporation shall be distributed to any holders of the Class A Shares, Class B Shares, Common Shares or any other shares of the Corporation of any other class ranking junior to the Preference Shares. After payment to the holders of the Series B Preference Shares of the amount so payable to them they shall not be entitled to share in any further distribution of the property or assets of the Corporation.

#### **3. Right of Corporation to Purchase**

Subject to the provisions of Paragraphs 4 and 5 below, the Corporation may at any time or times purchase for cancellation, if obtainable, all or any part of the Series B Preference Shares outstanding from time to time in the market (including purchase through or from an investment dealer or firm holding membership on a recognized stock exchange) or by invitation for tenders addressed to all the holders of record of Series B Preference Shares outstanding, at the lowest price or prices at which, in the opinion of the Board of Directors of the Corporation, such shares are obtainable but not exceeding the price at which, at the date of purchase, such shares are redeemable as provided in Paragraph 7 below, plus accrued and unpaid preferential dividends as provided in the said Paragraph 7 and costs of purchase. If upon any invitation for tenders under the provisions of this Paragraph 3, the Corporation shall receive tenders of Series B Preference Shares at the same lowest price which the Corporation is willing to pay in an aggregate number greater than the number for which the Corporation is prepared to accept tenders, the Series B Preference Shares so tendered which the Corporation determines to purchase at such price shall be purchased as nearly as may be pro rata (disregarding fractions) in proportion to the number of Series B Preference Shares so tendered by each of the holders of Series B Preference Shares who submitted tenders at the said same lowest price.



#### **4. Obligation to Purchase**

So long as any of the Series B Preference Shares are outstanding, the Corporation shall, during each calendar quarter beginning with the quarter commencing September 30, 1985, make all reasonable efforts to purchase for cancellation in the open market 2,000 Series B Preference Shares, if and to the extent that such shares are available for purchase, at prices not exceeding \$20 per share plus accrued and unpaid dividends, whether declared or not (which dividends, for such purpose, shall be calculated as if such dividends were accruing from day to day), and costs of purchase. To the extent that Series B Preference Shares are not available in any calendar quarter at or below such price to enable the Corporation to satisfy such obligation, the purchase obligation for the calendar quarter in question shall be carried forward to the extent not satisfied in such quarter, until satisfied through the three next succeeding calendar quarters and, to the extent not then satisfied, shall be extinguished. Any purchase of Series B Preference Shares in any calendar quarter, in excess of the purchase obligation for such quarter, may be applied by the Corporation to satisfy the purchase obligation for a subsequent calendar quarter. All purchases made or applied in satisfaction of this purchase obligation shall be credited first against the oldest such obligation outstanding.

Notwithstanding the foregoing, the Corporation shall not be required to purchase any Series B Preference Share if and so long as such purchase would be contrary to any provision restricting the redemption or purchase of Series B Preference Shares, or any applicable law.

#### **5. Restrictions on Dividends, Distributions, Redemptions or Purchase While Series B Preference Shares Outstanding**

So long as any Series B Preference Shares are outstanding, the Corporation shall not:

- (a) declare or pay or set apart for payment any dividends or make any other distribution on any Class A Shares, Class B Shares, Common Shares, or any other shares of the Corporation ranking junior to the Series B Preference Shares with respect to the payment of dividends or with respect to a liquidation, dissolution or winding-up; or
- (b) redeem (other than a redemption pursuant to Paragraph 4 of the provisions attaching to the Convertible Preference Shares, Series A), purchase for cancellation (other than a purchase pursuant to Paragraph 4 above) or otherwise pay off less than all of the Series B Preference Shares then outstanding or any Class A Share, Class B Share, Common Share or any other share of the Corporation ranking on a parity with or junior to the Series B Preference Shares with respect to the payment of dividends or with respect to a liquidation, dissolution or winding-up;

unless

- (i) all dividends up to and including the dividend payable on the next preceding dividend payment date on the Series B Preference Shares then issued and outstanding shall have been declared and paid or set apart for payment or provided for; and
- (ii) immediately after giving effect to such action, the total of all amounts declared and/or paid as dividends and paid on or in connection with distributions, redemptions, purchases and other payments off on all classes of shares of the Corporation subsequent to December 31, 1979 would not exceed the total of Consolidated Net Earnings earned subsequent to December 31, 1979 plus the proceeds from any issue of common shares or any other shares of the Corporation ranking junior to the Series B Preference Shares with respect to the payment of dividends or with respect to a liquidation, dissolution or winding-up.

In this Paragraph 5, "Consolidated Net Earnings" for any period means the net earnings of the Corporation and its subsidiaries for such period arrived at on a consolidated basis in accordance with generally accepted accounting principles.

#### **6. Restriction on Issuance of Additional Shares**

So long as any of the Series B Preference Shares are outstanding, the Corporation shall not, without the approval of the holders thereof:

- (i) create or issue any shares which rank in priority to the Series B Preference Shares, or
- (ii) issue any additional Preference Shares or any shares of any other class ranking on a parity with the Series B Preference Shares, unless Consolidated Net Tangible Assets, together with the estimated net proceeds of the shares to be so issued, shall be at least equal to two and one-half (2½) times the amount paid up on all Preference Shares and any other shares ranking prior to or on a parity with the Series B Preference

Shares to be outstanding immediately after such issue; provided that any of such shares which have been duly called for redemption and for the redemption of which adequate provision has been made assuring that such shares shall be redeemed within thirty-five (35) days thereafter shall be considered to have been redeemed and not outstanding for the purpose of this Paragraph 6.

In this Paragraph 6, "Consolidated Net Tangible Assets" for any period means the total of all assets, less the total of (i) intangible assets, (ii) bank indebtedness, (iii) accounts payable and accrued charges, (iv) loans payable, (v) mortgages payable, (vi) minority interests, and (vii) any other items ordinarily classified as current or long-term liabilities, all as shown on the consolidated balance sheet of the Corporation and its subsidiaries for such period determined on a consolidated basis in accordance with generally accepted accounting principles. The directors of the Corporation shall be entitled to determine the amount of the Consolidated Net Tangible Assets of the Corporation and its subsidiaries based on a consolidated balance sheet of the Corporation and its subsidiaries as at any date not more than 120 days prior to the making of such determination and such determination, for a period of 240 days next following the date to which such consolidated balance sheet is made up, shall be conclusive and binding on the holders of the Series B Preference Shares. All computations of Consolidated Net Tangible Assets shall take into account any substantial changes in Consolidated Net Tangible Assets from the date of such consolidated balance sheet to the date of the action requiring determination thereof or to be effected concurrently with such action.

## **7. Redemption**

The Corporation may not redeem the Series B Preference Shares or any of them on or prior to June 30, 1982; thereafter the Corporation may not redeem the Series B Preference Shares or any of them on or prior to June 30, 1985, unless the Corporation shall have filed with the transfer agent for the Series B Preference Shares on the day that notice of such redemption is first given, a certificate certifying that the weighted average price at which the Class A Shares of the Corporation have traded on The Toronto Stock Exchange during thirty (30) consecutive trading days ending not more than five (5) trading days prior to the said day that notice of such redemption is first given, was not less than 125% of the Conversion Price (as defined in Paragraph 9 below) in effect on the date of the filing of such certificate. Subject to the foregoing provisions of this Paragraph 7, the Corporation may, in the manner provided in Paragraph 8 below, redeem at any time the whole or from time to time any part of the then outstanding Series B Preference Shares, on payment for each share to be redeemed of the par value thereof plus a premium of the following percentages of the par value thereof:

- 6%, if redeemed on or prior to the close of business on June 30, 1986;
- 5%, if redeemed thereafter and prior to the close of business on June 30, 1987;
- 4%, if redeemed thereafter and prior to the close of business on June 30, 1988;
- 3%, if redeemed thereafter and prior to the close of business on June 30, 1989;
- 2%, if redeemed thereafter and prior to the close of business on June 30, 1990;
- and at par if redeemed at any time thereafter;

together in each case with all accrued and unpaid cumulative preferential dividends thereon, whether or not declared, which dividends, for such purpose, shall be calculated as if such dividends were accruing from day to day.

## **8. Redemption Procedure**

In any case of redemption of Series B Preference Shares under the provisions of Paragraph 7 above, the Corporation shall, at least thirty (30) days before the date specified for redemption, mail to each person who at the date of mailing is a registered holder of Series B Preference Shares to be redeemed, a notice in writing of the intention of the Corporation to redeem such shares. Such notice shall be mailed in an envelope, with postage prepaid, to each such shareholder at his address as it appears on the books of the Corporation or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder; provided, however, that accidental failure or omission to give any such notice to one (1) or more of such shareholders shall not affect the validity of such redemption. Such notice shall set out the redemption price and the date on which redemption is to take place and if part only of the Series B Preference Shares held by the person to whom it is addressed is to be redeemed the number thereof so to be redeemed. On or after the date so specified for redemption the Corporation shall pay or cause to be paid to or to the order of the registered holders of the Series B Preference Shares to be redeemed the redemption price thereof on presentation and surrender, at the head office of the Corporation or any other place within Canada designated in such notice, of the certificates representing the Series B Preference Shares so called for redemption. Such pay-



ment shall be made by cheques payable at par at any branch of the Corporation's bankers for the time being in Canada. If a part only of the Series B Preference Shares represented by any certificate shall be redeemed, a new certificate shall be issued for the remainder of such shares at the expense of the Corporation. From and after the date specified for redemption in any such notice the Series B Preference Shares called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected. The Corporation shall have the right at any time after the mailing of notice of its intention to redeem any Series B Preference Shares as aforesaid to deposit the redemption price of the Series B Preference Shares so called for redemption or of such of the said shares represented by certificates as have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption to a special account in any chartered bank or any trust company in Canada named in such notice, to be paid without interest to or to the order of the respective holders of the Series B Preference Shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same. Upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the Series B Preference Shares in respect of which such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the total redemption price so deposited against presentation and surrender of the said certificates held by them respectively. Any interest allowed on any such deposit shall belong to the Corporation. If less than all the Series B Preference Shares are to be redeemed at any time, the shares to be redeemed will be selected either (i) by lot in such manner as the Board of Directors of the Corporation may determine, or (ii) as nearly as may be in proportion to the number of Series B Preference Shares registered in the name of each shareholder.

## **9. Conversion Privilege**

For the purposes of Paragraphs 9 through 18, inclusive:

- (a) "Class A Shares", "Class B Shares" and "Common Shares" mean, respectively, the Class A Shares, Class B Shares and Common Shares without par value in the capital of the Corporation as such shares were constituted on June 30, 1980 or as subsequently consolidated or subdivided and any other shares resulting from the reclassification or change of the Class A Shares, Class B Shares or Common Shares or an amalgamation, consolidation, merger or sale, all as referred to in Paragraph 11 below;
- (b) "Additional Shares" means any Class A Shares, Class B Shares or Common Shares issued after June 30, 1980 other than pursuant to (i) the exercise by the holders of Convertible Preference Shares Series A of options outstanding on such date, (ii) the conversion of the Convertible Preference Shares Series A, (iii) the exercise of the conversion right set forth in Paragraph 10 below, (iv) the exercise of the Class A Share Purchase Warrants issued to the holders of Series B Preference Shares, or (v) any stock purchase plan or analogous plan for the benefit of officers or employees of the Corporation, provided such plan was in accordance with the requirements of The Toronto Stock Exchange;
- (c) "Conversion Price" means \$5.75 per Class A Share as adjusted from time to time after June 30, 1980 under the provisions of Paragraph 12 below; and
- (d) "Convertible Securities" means any rights, options, warrants, shares or securities which are, directly or indirectly, convertible into or exercisable or exchangeable for Class A Shares, Class B Shares or Common Shares of the Corporation.

## **10. Right of Conversion**

The holder of any Series B Preference Share has the right, at his option, at any time prior to the close of business on June 30, 1987, or at any time up to the close of business on the business day prior to the date specified by the Corporation for redemption of such Series B Preference Share, whichever is earlier, to convert such Series B Preference Share into fully paid and non-assessable Class A Shares of the Corporation at the Conversion Price. If a Series B Preference Share is called for redemption, the right of conversion thereof shall terminate at the close of business on the business day immediately prior to the date specified for such redemption; provided, however, that if the Corporation should fail to redeem such share in accordance with the notice of redemption, the right of conversion shall revive and continue as if such Series B Preference Share had not been called for redemption. The number of Class A Shares issuable upon conversion of any Series B Preference Share shall, subject to the exception as to fractions contained in Paragraph 15 below, be computed by dividing the Conversion Price into the par value of the Series B Preference Share to be converted.

## **11. Reclassification or Change**

In the event of any reclassification or change (other than a change resulting only from a subdivision or consolidation as provided for in subparagraph (a) of Paragraph 12 below) of Class A Shares, or in the event of any amalgamation, consolidation or merger of the Corporation with or into any other corporation, or in the event of any sale of all or substantially all of the undertaking and assets of the Corporation to any other corporation (any such event being herein called a “Capital Reorganization”), any holder of a Series B Preference Share who has not exercised his right of conversion prior to the effective date of such Capital Reorganization shall be entitled to receive, and shall accept, upon the exercise of such right at any time on or after the effective date of such Capital Reorganization, in lieu of the number of Class A Shares to which he was theretofore entitled on conversion, the aggregate number of shares or other securities or property of the corporation resulting from such Capital Reorganization that such holder would have been entitled to receive as a result of such Capital Reorganization if such Series B Preference Share had been converted into Class A Shares immediately prior to the effective date thereof, subject to adjustment thereafter in accordance with Paragraph 12 below; provided that no such Capital Reorganization shall be carried into effect unless, in the opinion of the board of directors of the Corporation, all necessary steps shall have been taken to ensure that the holders of Series B Preference Shares shall thereafter be entitled to receive the said aggregate number of shares or other securities or property of the corporation resulting from such Capital Reorganization.

## **12. Adjustment of Conversion Price**

The Conversion Price shall be subject to adjustment from time to time as follows:

- (a) If the Corporation shall (i) declare a dividend or make a distribution on outstanding Class A Shares, Class B Shares or Common Shares, payable in Class A Shares, Class B Shares or Common Shares, or (ii) subdivide its outstanding Class A Shares, Class B Shares or Common Shares into a greater number of shares, or (iii) consolidate its outstanding Class A Shares, Class B Shares or Common Shares into a smaller number of shares (any such event being herein called a “Share Reorganization”), the Conversion Price shall be adjusted immediately after the record date for the Share Reorganization to a price determined by multiplying the Conversion Price by a fraction, the numerator of which shall be the total number of Class A Shares, Class B Shares and Common Shares outstanding before the Share Reorganization and the denominator of which shall be the total number of Class A Shares, Class B Shares and Common Shares outstanding after the Share Reorganization;
- (b) If the Corporation shall issue or distribute to holders of its Class A Shares, Class B Shares or Common Shares, (i) shares of any class other than Class A Shares, Class B Shares or Common Shares, or (ii) evidences of indebtedness, or (iii) any assets (excluding cash dividends), and such issuance or distribution does not constitute a Share Reorganization or an offering of Convertible Securities (any such event being herein called a “Special Distribution”), then the Conversion Price shall be adjusted immediately after the record date for the Special Distribution to a price determined by multiplying the Conversion Price by a fraction, the numerator of which shall be the number determined by multiplying the total number of Class A Shares, Class B Shares and Common Shares outstanding on such record date by the current market price per Class A Share on such date and deducting from the amount so obtained the fair market value, as determined by the board of directors of the Corporation, whose determination shall be conclusive, of the shares, evidences of indebtedness or assets issued or distributed in the Special Distribution, and the denominator of which shall be the total number of Class A Shares, Class B Shares and Common Shares outstanding on such record date multiplied by the current market price per Class A Share on that date;
- (c) If the Corporation shall issue Additional Shares, other than pursuant to the exercise of a conversion right attaching to Convertible Securities, at a price per share less than the Conversion Price and such issue does not constitute a Share Reorganization (any such event being herein called a “New Issue”), the Conversion Price shall be adjusted immediately after such issue to a price determined by multiplying the Conversion Price by a fraction, the numerator of which shall be the total number of Class A Shares, Class B Shares and Common Shares outstanding immediately prior to the New Issue plus a number determined by dividing the aggregate of the price of the total number of Additional Shares so issued by the Conversion Price, and the denominator of which shall be the total number of Class A Shares, Class B Shares and Common Shares outstanding immediately prior to the New Issue plus the total number of Additional Shares so issued;
- (d) If at any time the Corporation shall in any manner issue, grant or sell (i) any rights or options for the purchase of Class A Shares, Class B Shares or Common Shares or (ii) any other Convertible Securities whether or not such rights, options or Convertible Securities are immediately exercisable or convertible, and such issue or



sale does not constitute a Special Distribution and the price per share for which Class A Shares, Class B Shares or Common Shares are to be issued or sold upon or as a result of the exercise of such rights or options or such conversion or exchange of Convertible Securities (determined by dividing (X) the total amount received or receivable by the Corporation as consideration for the issue or grant of such rights, options or Convertible Securities, as the case may be, plus the minimum aggregate amount of additional consideration, if any, payable to the Corporation upon the exercise, conversion or exchange, as the case may be, of all thereof, by (Y) the total maximum number of Class A Shares, Class B Shares and Common Shares issuable upon or resulting from the exercise, conversion or exchange of all such rights, options or Convertible Securities) is less than the Conversion Price in effect immediately prior to the time of the granting of such rights or options, then the Conversion Price shall be adjusted pursuant to subparagraph (c) of this Paragraph 12 as if the total maximum number of Class A Shares, Class B Shares and Common Shares issuable upon or resulting from the exercise, conversion or exchange of all such rights, options or Convertible Securities had been issued at the time of the issue or sale of such rights, options or Convertible Securities for such price per share. Subject to rules (IV) and (V) below, no further adjustment of the Conversion Price shall be made upon the actual issue of such Class A Shares, Class B Shares or Common Shares upon or resulting from the conversion or exchange of such Convertible Securities.

The following rules and procedures shall be applicable to adjustments of the Conversion Price made pursuant to this Paragraph 12:

- (I) On the issue of Additional Shares for a consideration other than cash, or a consideration part of which is other than cash, the amount of the consideration other than cash shall be deemed to be the fair value thereof as determined by the board of directors.
- (II) Any Class A Share, Class B Share or Common Share owned by, or held for the account of, the Corporation or a subsidiary of the Corporation shall be deemed not to be outstanding.
- (III) No adjustment in the Conversion Price shall be required unless such adjustments would result in a change of at least one percent (1 %) in the Conversion Price; provided, however, that any adjustment which, except for the provisions of this rule (III), would otherwise have been required to be made, shall be carried forward and taken into account in any subsequent adjustment.
- (IV) If (i) the additional consideration, if any, payable upon the conversion or exchange of Convertible Securities referred to in subparagraph (d) of this Paragraph 12 or (ii) the rate at which any Convertible Securities referred to in such paragraph are convertible into or exchangeable for Class A Shares, Class B Shares or Common Shares, shall change (other than, in each case, under or by reason of provisions designed to protect against dilution), the Conversion Price shall forthwith be readjusted to the Conversion Price which would otherwise have been calculated at the time of the issue of the Convertible Securities as provided in subparagraph (d) of this Paragraph 12, as though the still outstanding Convertible Securities had been initially issued or sold and the Conversion Price had been initially adjusted, except that the minimum aggregate amount of additional consideration payable and the total maximum number of Class A Shares, Class B Shares and Common Shares issuable shall be determined after giving effect to (i) or (ii) above (and any such prior adjustments arising by virtue of (i) or (ii) above); and any other adjustments which may have been effected to the Conversion Price, other than by virtue of (i) or (ii) above, shall be further adjusted after giving effect to adjustments arising by virtue of (i) or (ii) above.
- (V) In the event that a right to convert or exchange Convertible Securities referred to in subparagraph (d) of this Paragraph 12 should terminate or expire, the Conversion Price shall forthwith be readjusted to the Conversion Price which would otherwise have been calculated at the time of the issue of the Convertible Securities as though the Convertible Securities actually converted had been the only Convertible Securities issued at the original time of issue thereof; and then any other adjustments which may have been effected to the Conversion Price shall be further adjusted after giving effect to the adjustments arising by the provisions of this rule (V).
- (VI) For the purpose of computing the number of Class A Shares, Class B Shares or Common Shares outstanding from time to time the Class A Shares, Class B Shares and Common Shares issuable pursuant to (i) the exercise by the holders of Convertible Preference Shares, Series A of options outstanding on June 30, 1980 shall be included, so long as such options are outstanding, (ii) the conversion of the Convertible Preference Shares, Series A shall be included so long as such conversion rights are outstanding, (iii) the exercise of the conversion right set forth in Paragraph 10 above shall be included so long

as such conversion rights are outstanding, (iv) the exercise of the Class A Share Purchase Warrants issued to the holders of the Series B Preference Shares shall be included so long as such warrants are outstanding and (v) a stock purchase or analogous plan for the benefit of officers or employees of the Corporation shall be included, provided such plan is in accordance with the requirements of The Toronto Stock Exchange.

- (VII) If any question shall at any time arise with respect to adjustments of the Conversion Price, such question shall be conclusively determined by the auditors of the Corporation and any such determination shall be binding upon the Corporation and all transfer agents and all shareholders of the Corporation.
- (VIII) Forthwith after any adjustment in the Conversion Price pursuant to this Paragraph 12, the Corporation shall file with the transfer agent for the Series B Preference Shares a certificate signed by the President or a Vice-President and the Secretary or the Treasurer certifying as to the particulars of such adjustment and, in reasonable detail, the event requiring and the manner of determining such adjustment. The Corporation also at such time shall give written notice to the registered holders of Series B Preference Shares of the Conversion Price following such adjustment and the notice provisions of Paragraph 8 above shall apply, *mutatis mutandis*, to the giving of such notice.

### **13. Entitlement to Dividends**

A holder of a Series B Preference Share on the record date for any dividend declared payable on such share will be entitled to such dividend notwithstanding that such share is converted after such record date but before the payment of such dividend and the registered holder of any Class A Share resulting from any conversions shall be entitled to rank equally with the registered holders of all other Class A Shares in respect of all dividends declared payable to the holders of Class A Shares of record on any date after the date of conversion. Subject as aforesaid, no payment or adjustment will be made on account of any dividend, accrued or otherwise, on the Series B Preference Shares converted or the Class A Shares resulting from any such conversion.

### **14. Conversion Procedure**

The conversion right hereinabove provided for may be exercised by notice in writing given to the transfer agent for the Series B Preference Shares at its principal office in the Cities of Toronto or Calgary accompanied by the certificate or certificates representing the Series B Preference Shares in respect of which the holder thereof desires to exercise such right of conversion. The notice shall be signed by such holder or his duly authorized attorney and shall specify the number of Series B Preference Shares which the holder desires to have converted. If less than all of the Series B Preference Shares represented by any certificate or certificates accompanying any such notice are to be converted, the holder shall be entitled to receive, at the expense of the Corporation, a new certificate representing the Series B Preference Shares comprised in the certificate or certificates surrendered as aforesaid which are not to be converted. On any conversion of Series B Preference Shares, the share certificates representing Class A Shares resulting therefrom shall be issued in the name of the registered holder of the Series B Preference Shares converted or, subject to payment by the registered holder of any stock transfer or other applicable taxes, in such name or names as such registered holder may direct in writing (either in the notice above referred to or otherwise).

The right of a registered holder of Series B Preference Shares to convert the same into Class A Shares shall be deemed to have been exercised, and the registered holder of Series B Preference Shares to be converted (or any person or persons in whose name or names such registered holder of Series B Preference Shares shall have directed certificates representing Class A Shares to be issued) shall be deemed to have become a holder of Class A Shares of record for all purposes on the date of surrender of the certificate representing the Series B Preference Shares to be converted accompanied by notice in writing as referred to above, notwithstanding any delay in the delivery of the certificate representing the Class A Shares into which such Series B Preference Shares have been converted.

### **15. Avoidance of Fractional Shares**

In any case where a fraction of a Class A Share would otherwise be issuable on conversion of one or more Series B Preference Shares, the Corporation shall in lieu thereof adjust such fractional interest by the payment by cheque of an amount equal to the then current market value of such fractional interest computed on the basis of the last board lot sale price (or the last bid price, if there has been no board lot sale) for the Class A Shares on The Toronto Stock Exchange (or, if the Class A Shares are not then listed on The Toronto Stock Exchange, on such stock exchange on which such shares are listed as may be selected for such purpose by the board of directors) on the business day on which such stock exchange was open next preceding the date of such conversion.



## **16. Postponement of Conversion**

In any case where the application of Paragraph 12 results in a change in the Conversion Price taking effect immediately after the record date for a specific event, if any Series B Preference Shares are converted after that record date and prior to completion of the event, the Corporation may postpone the issue to the holder of the Series B Preference Shares, of the Class A Shares to which he is entitled by reason of the change in the Conversion Price, but such Class A Shares shall be so issued and delivered to that holder upon completion of the event and the Corporation shall at the time of conversion deliver to the holder an appropriate instrument evidencing his right to receive such Class A Shares.

## **17. Reservation of Class A Shares**

The Corporation shall, so long as any Series B Preference Share is outstanding and carries the right of conversion herein provided, reserve a sufficient number of unissued Class A Shares to enable all of the Series B Preference Shares outstanding to be converted upon the basis and upon the terms and conditions herein provided.

## **18. Notice of Certain Events**

If the Corporation intends to fix a record date for (i) a Share Reorganization, or (ii) a Special Distribution, or (iii) a Capital Reorganization, or (iv) a rights offering to the holders of Class A Shares, Class B Shares or Common Shares, or (v) the declaration or payment of a cash dividend per share which would be greater than one-half of the sum of the last two semi-annual dividends per share declared and paid or set apart for payment on the Class A, Class B, Common Shares and other shares of the Corporation ranking junior to the Series B Preference Shares, the Corporation shall, not less than twenty-one (21) days prior to such record date or, if no record date is fixed, prior to the effective date of such event, notify each registered holder of Series B Preference Shares by written notice of the particulars of the proposed event to the extent that such particulars have been determined at the time of giving the notice, and the notice provisions of Paragraph 8 above shall apply, mutatis mutandis, to the giving of such notice.

## **19. Approval of Holders of Series B Preference Shares**

The provisions contained in paragraphs numbered 1 to 19 both inclusive (including this paragraph) and paragraphs numbered 1 to 7 both inclusive of the conditions attaching to the Preference Shares as a class or any of them may be deleted, varied, modified, amended or amplified by articles of amendment but only with the prior approval of the holders of the Series B Preference Shares given as hereinafter specified, in addition to any vote or authorization required by The Business Corporations Act. The approval of the holders of Series B Preference Shares with respect to any and all matters referred to herein (in addition to and distinct from any vote or authorization required by The Business Corporations Act) and any authorization required by subsection 4 of section 189 of The Business Corporations Act (or any other statutory provision of like or similar effect, from time to time in force) may be given by resolution as provided, mutatis mutandis, in paragraph 7 of the conditions attaching to the Preference Shares as a class.

### **L. A. BRENZEL SECURITIES LIMITED**

MEMBERS  
THE TORONTO STOCK EXCHANGE  
MONTREAL STOCK EXCHANGE

10 TEMPERANCE STREET, TORONTO, ONTARIO M5H 1Y4

LAWRENCE A. BRENZEL  
PRESIDENT

TEL (416) 863-1655











## CONSOLIDATED STATEMENT OF CHANGE IN FINANCIAL POSITION

for the six months ended June 30, 1978  
(with comparative figures for 1977)  
(Unaudited)

	1978	1977
Source of funds		
Earnings before equity in net earnings of associated companies	\$ 348,822	\$ 218,423
Add (deduct) items not affecting funds:		
Depreciation	33,714	43,548
Deferred income taxes recoverable	—	(63,000)
Funds provided from operations	382,536	198,971
Increase in accounts payable	—	80,664
Mortgage financing	—	423,248
Sale of real estate	57,500	686,491
Sale of marketable securities	1,076,752	1,247,465
Increase in bank indebtedness	—	534,535
Sale of portfolio investments	3,691,953	23,786
Preference shares issued	918,000	—
Reduction in investment in other companies	1,996,505	—
	<u>\$8,123,246</u>	<u>\$3,195,160</u>
Use of funds		
Additions to real estate investments	\$ 348,810	\$1,010,955
Increase in loans and accounts receivable	318,142	676,514
Mortgage taken back on sale of real estate	—	612,500
Mortgage principal repayments	47,134	232,537
Additions to investment in other companies	85,798	366,989
Decrease in accounts payable	106,845	—
Redemption of preference shares	1,800,000	—
Repayment of bank indebtedness	1,539,308	—
Additions to marketable securities	3,209,307	—
Dividends paid	—	175,805
Additions to portfolio investments	253,612	—
Net changes in other assets and liabilities	414,290	119,860
	<u>\$8,123,246</u>	<u>\$3,195,160</u>

Second Quarter Report

For the six-month period  
ended June 30, 1978

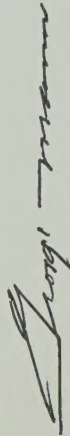
UNICORP  
FINANCIAL CORPORATION

To our Shareholders:

We are pleased to enclose the financial results of your Company for the six months ended June 30, 1978. Consolidated net earnings for the period were \$545,645 or 10¢ per share as compared with \$225,600 or 3¢ per share in the corresponding period last year.

On June 29, 1978, the company sold 450,000 of its shares of M.D.S. Health Group Limited back to M.D.S. This transaction constituted the disposition of the majority of the Company's shares of M.D.S. and, as a result, its investment in M.D.S. is no longer accounted for by the equity method. Also in the second quarter the Company sold 200,000 of its shares of The Royal Trust Company so that the Company now holds 598,434 shares of Royal Trust; this represents approximately 5% of its issued and outstanding common shares. The proceeds from these sales were used primarily to invest in marketable securities (i.e. common and preferred shares of Canadian and American public companies) so that at June 30, 1978 the Company owned marketable securities costing \$3,949,000 and having a market value of \$4,306,000 up from a cost and market value of \$1,739,000 and \$1,724,000 respectively as at December 31, 1977.

On Behalf of the Board



Toronto, Ontario  
August 17, 1978

GEORGE S. MANN  
President

## UNICORP FINANCIAL CORPORATION

### CONSOLIDATED STATEMENT OF EARNINGS

for the six months ended June 30, 1978  
(with comparative figures for 1977)  
(Unaudited)

	1978	1977 (Restated)
Income		
Interest and dividends	\$ 678,867	\$ 479,555
Rentals	394,289	348,781
Consulting and other fees	7,500	—
Gain on sale of marketable securities	302,202	77,256
Gain (loss) on sale of real estate investments	6,507	(32,370)
	<u>1,389,365</u>	<u>873,222</u>
Expenses		
Property operating expenses	192,433	140,589
Interest on mortgages	167,782	131,824
Other interest	110,741	223,289
General and administrative	313,210	210,919
Depreciation	33,714	43,548
	<u>817,880</u>	<u>750,169</u>
Earnings before income taxes and items shown below	<u>571,485</u>	<u>123,053</u>
Deferred income taxes recoverable	—	63,000
Earnings before items shown below	<u>571,485</u>	<u>186,053</u>
Equity in net earnings of subsidiary and associated companies (note 2)	<u>196,823</u>	<u>39,547</u>
	<u>768,308</u>	<u>225,600</u>
Earnings before minority interest	<u>222,663</u>	<u>—</u>
Minority interest		
Net earnings	<u>\$ 545,645</u>	<u>\$ 225,600</u>
Earnings per share (note 3)	<u>\$ .10</u>	<u>\$ .03</u>

#### Notes

1. Restatement  
Certain of the 1977 accounts have been reclassified to conform with 1978 presentation.
2. Equity in net earnings of associated companies

	1978	1977
Great Northern Financial Corporation	\$ 14,023	\$ (953)
M.D.S. Health Group Limited*	<u>182,800</u>	<u>40,500</u>
	<u>\$ 196,823</u>	<u>\$ 39,547</u>

\*On June 29, 1978 the company sold 450,000 shares of M.D.S. Health Group Limited at \$4.25 per share. Effective that date, the company ceased to account for its investment in M.D.S. Health Group Limited by the equity method.

3. Earnings per share

Earnings per share have been calculated based upon the number of shares outstanding at the end of the period (1978 — 5,432,206; 1977 — 7,032,206).